

OVERSEAS NEWS

Rhodesia leaders 'ready to attend all-party talks'

MR. IAN SMITH, the Rhodesian Premier said at the weekend that he and his three black colleagues on the ruling executive Council are willing to attend an all-party conference on the country's future without pre-conditions.

It was the first time Mr. Smith had said that. Bishop Abel Muzorewa, Chief Jeremiah Chirau and the Rev. Ndabaningi Sithole would all attend a conference of interested parties without setting conditions.

Mr. Smith was making a luncheon speech to a group of American editors and newspaper publishers. He was accompanied by the Rev. Sithole. This was the first indication that all members of the ruling tri-racial Executive are willing to confer with the guerrilla leaders Mr. Robert Mugabe and Mr. Joshua Nkomo who lead the Patriotic Front, which is waging a bush war against the Salisbury Government.

"Since I've been here... spokesmen and even President Currier are saying that we are standing in the way of an all-party conference," Mr. Smith said. "We and our two other colleagues are willing to attend such a meeting," he continued, adding, "We believe also that there should be no pre-conditions."

Mr. Smith and the other members of Rhodesia's Executive Council are visiting the U.S. in an effort to drum up support for their internal settlement of the Rhodesia dispute.

On Thursday last, Mr. Smith said he and Mr. Sithole would attend an all-party conference without pre-conditions, providing there were no pre-conditions set by the other parties.

An American official, speaking to reporters aboard the aircraft carrying Mr. Cyrus Vance, the U.S. Secretary of State to Pretoria, South Africa, from Washington, said Mr. Vance had directed State Department officials to contact Mr. Smith to discuss these remarks.

Martin Dickson adds: The willingness of the Rhodesian government to attend an all-party conference represents some forward movement for Britain and the United States, since for months now one of the main stumbling blocks to such a conference has been the refusal of the Salisbury partners to attend.

However, there are still no signs that an all-party conference would bridge the huge gulf that divides Mr. Smith and his colleagues from the Patriotic Front guerrilla alliance.

Despite this gulf, Britain and the United States have continued to work for an all-party conference and at one time intended to hold one in New York this month. However, this plan fell through, not least because of strong opposition to it from Tanzania and Mozambique.

SAN DIEGO, Oct. 15.

Afghan aim is 'full socialism'

By David Satter

KABUL, Oct. 15. MR. HAFIZULLAH AMIN, the Afghan Foreign Minister and Deputy Premier, said today that the goal of his revolutionary Government is the creation of a fully socialist society with a collectivised agriculture and the elimination of the private retail sector.

In an interview with the Financial Times, Mr. Amin stressed that socialism would be built gradually, voluntarily and without violence.

"The working class order has been consolidated," he said. "I have every confidence that within the next 10 years Afghanistan will be a very advanced, blossoming and completely new country."

Dismissing Western fears of increased Soviet influence in Afghanistan as a "fabricated threat," he said Afghanistan was proud of its political independence. Soviet assistance contributed to development and enabled it to defend its independence as a "strong and non-aligned country."

Mr. Amin declined to use the term "Marxist-Leninist" to describe the ruling Khalq (People's) Party but explained: "We are keen to learn and benefit from scientific principles in 'what-ever name they appear'."

He dismissed the reported disturbances in the eastern provinces as the work of "fanatic religious people" influenced by propaganda of "agents of imperialism and reaction."

Government representatives had been assassinated in localities outside Kabul by the Akhwan, the Moslem reactionaries against whom the Government has declared Jihad (holy war).

In general, however, Mr. Amin saw no conflict between the tenets of socialism and Islam. "We sincerely have a profound respect for Islam. There are many Moslems in socialist countries and they are practising their faith."

He said that arrests of political opponents ended "long ago" and less than 100 people were now in custody, most of whom would be released. Well-informed diplomatic sources, however, put the number of arrested in the thousands.

Although revolutionary violence was sometimes required, "violence in Afghanistan is not necessary if agents of imperialism and of foreign enemies leave us to ourselves," he said, against the Akhwanis did not mean their physical elimination.

Arab foreign ministers seek peace course for Lebanon

BY HSNAN HIJAZI

SEVEN ARAB states began a conference here today in a fresh attempt to stabilise the eight-day-old ceasefire and chart a course for solving the Lebanese crisis.

The meeting, which convened at the historic palace at the mountain resort of Belledin, some 20 miles south-east of Beirut, is attended by the Foreign Ministers of Saudi Arabia, Syria, Kuwait and Lebanon, as well as representatives from Qatar, the United Arab Emirates and The Sudan.

On the agenda is the future and status of the Arab League

"deterrent force" which was sent here two years ago to end the civil war. Informal sources said the conference are expected to extend the force's mandate for six months more. The present mandate is due to expire by the end of this month.

A main consideration is the move by President Elias Sarkis to lessen Syrian domination on the force, which includes two battalions from Saudi Arabia, one from the Sudan and one from the United Arab Emirates, accords.

● L. Daniel reports from Jerusalem: The Israel Cabinet met today to be briefed by Premier Begin on the contents of the U.S. draft for the peace treaty between Egypt and Israel and the initial negotiations in Washington.

● AP reports from Cairo: Iraq has postponed the Arab Foreign Ministers' meeting scheduled for Sunday. The summit was reported Sunday. The summit was reported Sunday. The summit was reported Sunday.

CSU back in Bavaria State poll

THE MAJOR West German political parties were expressing their satisfaction last night with the results of the State elections in Bavaria which returned Herr Franz-Josef Strauss's Christian Social Union to office, and left both the national and local landscape virtually unchanged.

Adrian Dicks in Bonn. Following last Sunday's narrow coalition Government victory in Hesse, yesterday's Bavarian result has ended this year's batch of State elections. Fears expressed at the outset for the survival of the Free Democrats, junior partners in the Bonn coalition Government, have turned out to be unjustified. They held their own in Bavaria as in Hesse.

The main uncertainty in Bavaria today had been the size of the majority by which the CSU would win re-election. According to preliminary results, Herr Strauss's party won just under 60 per cent with the Social Democrats taking 31.3 per cent, the FDP advancing to 6 per cent from 5.2 per cent, and minor parties taking the balance.

Herr Strauss, withdrawing from the Bundestag in Bonn, will be the next State Premier of Bavaria.

Belgium looks to former premier

BY GILES MERRITT

A FORMER Belgian Premier, M. Paul Vanden Boeynants, is expected to return shortly as successor to M. Leo Tindemans, who last week resigned the premiership.

M. Vanden Boeynants is due to tell King Baudouin tomorrow whether he can form a new coalition government without calling a general election. The signs so far are that M. Vanden Boeynants who was M. Tindemans's Vice-Premier and Defence Minister, could engineer a com-

promise that would allow the ruling Flemish-Walloon six-party coalition to be resumed.

M. Vanden Boeynants, 69, was one of Belgium's youngest prime ministers when he first took office, but his short-lived government was brought down in 1968 by the same intractable Flemish-Walloon rivalry that last week forced M. Tindemans's resignation.

M. Vanden Boeynants is president of the French-speaking Parti Social Chrétien (PSC) that is

equivalent to M. Tindemans's own Christian Volks Partij (CVP), and paradoxically it is hoped that he will thus be able to avoid the CVP opposition that finally defeated M. Tindemans.

Resentment inside the CVP over details of M. Tindemans's plan for splitting Belgium into three separate administrative regions — Dutch-speaking Flanders, Francophone Wallonia and a mixed but largely French-dominated Brussels area — contributed to M. Tindemans's fall.

● AP reports from Washington: The U.S. State Department is sending a special envoy to talk to King Hussein of Jordan about the Middle East peace plan being negotiated by Israel and Egypt behind closed doors in Washington. The King's queries concerned the fate of the Palestinians in a Middle East settlement and the pace of eventual Israeli withdrawal from the occupied West Bank.

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Further strike called in Iran

TEHRAN, Oct. 15.

IRANIAN Moslem religious leaders have called for a nationwide business shutdown tomorrow in memory of the more than 100 anti-Government dissidents killed last month in a clash with security forces in Tehran, according to Press reports here.

As the strike continues, one person was killed and two were wounded Saturday night when a demonstration was broken up in the city of Mashad, east of Tehran, according to the newspaper Kayhan.

Iran's official news agency said police fired tear gas to disperse about 4,000 demonstrators. Official reports of the incident mentioned no deaths.

The strike call was issued by five leading clergymen, including Ayatollah Shariatmadari, internal leader of Iran's Shi'ite sect.

All businesses were asked to close for the day and students and teachers were requested to boycott classes to observe the 40th day after what has become known as "Black Friday."

The anniversary refers to the Moslem leader Ayatollah Khomeini stayed away from a government protest during a weekend rally in his honour.

About Paris, apparently obeying orders from French authorities to stay in Tehran and 10 other cities because of continuing civil unrest. About 130 persons were killed and 300 wounded when troops fired into the crowd.

Meanwhile, exiled Iranian leader Ayatollah Khomeini stayed away from a government protest during a weekend rally in his honour.

Police posted guards around the Ayatollah's residence in suburban Paris to keep away supporters who converged on his home.

AP

● AP reports from Sanaa: The spokesman said the organisers of the attempt were arrested after it was crushed. The organisers have been referred to a military court for trial, and their accomplices will be tried by the State security court, the official said.

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Brazil elects President

BY DIANA SMITH

RIO DE JANEIRO, Oct. 15.

BRAZIL'S ELECTORAL college today elected General Joao Baptista Figueiredo President by 353 votes to 228.

The opposition candidate, General Euler Bentes Monteiro, had not been expected to win since the opposition, Brazilian Democratic Movement, holds only 40 per cent of the seats in the

college, compared with the 60 per cent share of Arena, the pro-Government party.

In late 1977 Gen. Figueiredo was chosen by President Ernesto Geisel, whose term expires next March, to succeed him. Subsequently, the choice was ratified by the Arena con-

vention.

● AP reports from Kingston: Devaluation takes place regularly in keeping with the conditions of a \$240m extended facility agreed between Jamaica and the International Monetary Fund.

● AP reports from New York: The second class postage paid at New York, N.Y.

Namibia compromise hopes dim

BY QUENTIN PEEL

PRETORIA, Oct. 15.

THE WESTERN Foreign Ministers attempting to break the current deadlock between South Africa and the UN over a peaceful settlement in Namibia (South West Africa) met here today to finalise their strategy for two days of critical negotiations with the South African Government.

Dr. David Owen, the British Foreign Secretary, Mr. Hans-Dietrich Genscher of West Germany and Mr. Donald Jamieson of Canada flew into the South African capital this morning from the Namibian capital of Windhoek where they had discussions with leaders of the territory's internal political parties.

Mr. Cyrus Vance, the U.S. Secretary of State, and M. Olivier Sime, the deputy French Foreign Minister, arrived yesterday.

Western officials were at pains to emphasise the slim prospects for success in the forthcoming talks, without entirely ruling out hope of some movement towards a compromise over South Africa's decision, in defiance of the UN plan for supervision and control, to press ahead with unilateral elections.

The talks in Windhoek, which culminated in a meeting with the Democratic Turnhalle Alliance, the principal party pressing for the South African-sponsored elections, failed to

produce any material shift in the attitudes of the internal political parties.

The Western-South African summit here ran into its first upset tonight when a South African official announced that the Western Ministers would spend the greater part of the first morning in consultation with Judge M. T. Steyn, the South African Administrator General, in Windhoek.

The official said the talks with Mr. Julius Nyerere, the President of Tanzania, summoned East European ambassadors for discussions yesterday on Southern Africa generally and particularly the situation in Rhodesia, Reuter reports from Dar es Salaam.

The talks lasted one hour. Last week the President summoned the ambassadors of Cuba, the U.S., Britain and the Soviet Union for similar talks.

Mr. P. W. Botha and Mr. R. F. Pik Botha, along with Foreign Affairs officials, after 10 a.m., however, they would carry on with Judge Steyn.

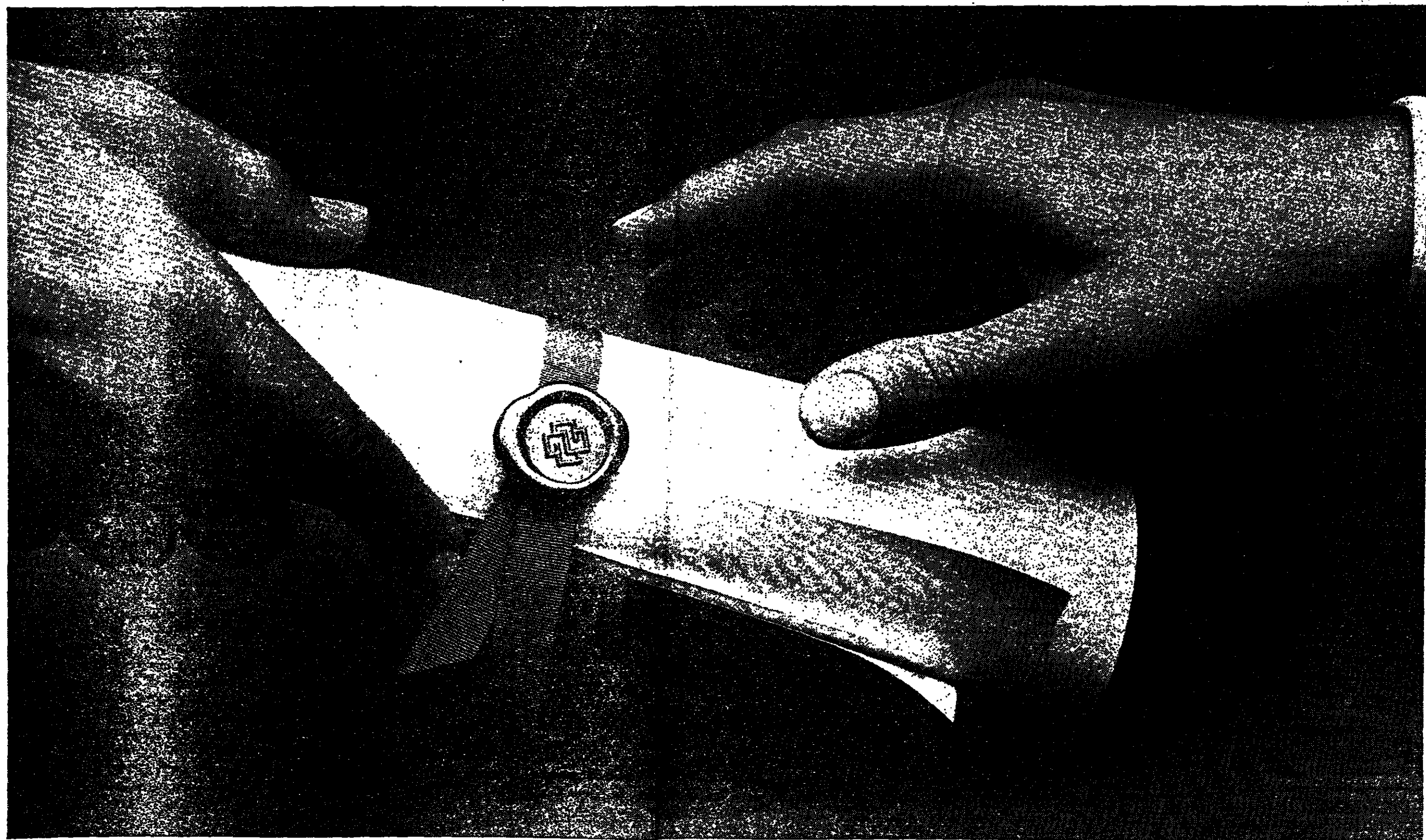
Western spokesmen immediately rejected the idea as not having been agreed. "We are meeting with the leadership, of which he is a sub-

ordinate part," Mr. Hodding Carter, the U.S. State Department spokesman, said. "There is no particular reason for an individual meeting with him. We have not asked for an individual meeting."

There appear to be some differences of emphasis within Western ranks on the tactics at the coming talks, with Canada's Mr. Donald Jamieson taking a more outspoken line on the prospect of sanctions. However, observers here believe this could be a deliberate negotiating tactic agreed among the five. The attitude of France is more equivocal, with French officials suggesting that they too feel the threat of sanctions should be more openly used.

British officials suggest that there are two alternative scenarios for the talks here tomorrow and Tuesday. If it is true that South Africa wants quick elections and a DTA victory assured, without the danger of SWAPO participation, then they admit there is no hope of success. Dr. Owen openly warned against "rigged elections" on his arrival in Windhoek.

If, however, South Africa proves genuinely prepared to return to a negotiated solution, then they suggest there is room for some flexibility within the UN plan now accepted by the Security Council.



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مكتبة الأهل

WORLD TRADE NEWS

Debut for Soviet trucks at British motor show

By Kenneth Gooding

TRUCKS FROM the giant Kama plant in the USSR are to make their debut on the British motor show at the International Motor Show in Birmingham.

It is the first time that on-highway trucks from Russia have been available in the UK although off-highway vehicles have been used by the construction industry for some years.

The new trucks — including an on/off-highway, scow ended dump truck; a chassis cab for general purpose bodies; and a tractor unit — are to be sold in the UK by UMO Plant.

Sales manager Mr. Alan Brody said at the weekend that the company had modest aims for the newcomers and hoped to sell between 70 and 100 units next

year. The price would be "only slightly lower than comparable European vehicles" to make them an attractive proposition.

Called Kamaz, the trucks are manufactured at Naberezhnye Chelny, a town near the geographical centre of the Soviet Union on the banks of the Kama.

Daimler-Benz (Mercedes) and Fiat technology has been used at the enormous purpose-built Kama works which consists of an amalgamation of seven different plants which is supposed to be capable of producing 180,000 trucks a year.

This compares with Daimler-Benz's output of 61,620 last year, making it the major truck manufacturer in the West, and the biggest U.S. producer, International Harvester's 40,000 units.

Mr. Brady said first examination of the trucks, now being prepared for the show, certainly revealed the influence of Mercedes and Fiat in their production. In the USSR special attention has been given to making the trucks from standardised parts, units and assemblies so as to help with servicing throughout the world. Some 75 tons of spares were imported by UMO with the first trucks.

UMO Plant has a turnover of more than £3m. It sells Beluz off-highway dump trucks (at roughly \$50 to 100 units a year), Belarus agricultural tractors as well as other capital equipment. UMO also acts as agent-middle man for UK companies wanting to export equipment to the USSR.

Mixed results for U.S. mission in Japan

By Richard C. Hanson

TOKYO, Oct. 15. U.S. OFFICIALS and businessmen at the end of a well-promoted, two week export development mission claimed some success in approaching the market, but made clear they expect more effort from Japan in breaking down import barriers.

Mr. Frank A. Well, Assistant Commerce Secretary for Industry and Trade, said one out of every four of the more than 100 members has concluded contracts in Japan or has definite prospects, while over half have reported good prospects. One out of five, however, said their chances of finding a market were slim or very long term. There was no estimate of the value of contracts signed over the past two weeks.

The U.S. appears intent on keeping pressure on Japan, with a steady stream of export promotion groups, official and private, and a major Congressional tour concerned with trade scheduled for later this autumn. This latest mission was led by U.S. commerce secretary, Mrs. Juanita Kreps, who returned early after conferring with Japanese Government leaders. It follows a Japanese group last spring which went to the U.S. to promote imports.

The U.S. companies on the mission found mixed reception. It was clear that some of the Japanese concerns agreed to meet with the Americans under the pressure of "administrative guidance" from the powerful Ministry of International Trade and Industry (MITI).

There were complaints, for example, that the huge governmental Nippon Telegraph and Telephone Corp. (NTT), which has raised a lot of capital in international markets, stood as a barrier to U.S. manufacturers of communications equipment.

The Japanese officials who co-ordinated the mission on this side of the Pacific Ocean appeared willing to continue with efforts and talks designed to head off the threat of U.S. protectionism, and bring trade with the U.S. more into balance. Americans, while pleased with the successes of the group, still admit frankly that this mission was just a beginning and that major improvements in access for U.S. goods in Japan will take many years.

UK-Cuba in trade talks

HAVANA, Oct. 15. BRITAIN AND Cuba have ended four-day economic talks during which they explored trade expansion, the Prensa Latina news agency reported.

The meetings of the two countries' joint economic commission devoted particular attention to tourism and commodities such as fertilisers, textiles, pharmaceutical products, tin, lead and copper, the agency added.

Comecon's steel route to EEC

By Leslie Collitt in Berlin

BRITISH STEEL is not alone in its complaints about the high degree of foreign penetration of the home market. In West Germany 36.7 per cent of the apparent consumption of finished rolled products last year was made up of imports, and of these 10.8 per cent came from Comecon countries.

In the first seven months of this year imports made up 35.5 per cent of West German consumption although Comecon's share fell to 7.5 per cent. The handful of companies engaged in large scale steel trading are forced to be especially inventive these days but they are not easily discouraged by what they call "Davignon's quotas".

"If we had closed shop every time some politician interfered with the steel industry," one of the steel traders remarked, "we would have had to shut down in 1945".

He prefers to remain anonymous but said at a recent East European trade fair that much of the steel his company and the others sold to Western Europe up to last year came from Eastern Europe.

The Soviet Union and East Germany were the leading suppliers of Comecon steel to the West followed by Poland and Czechoslovakia. The EEC quotas, however, have now halved the amounts of Comecon steel his company is able to sell to EEC countries. In the UK for example the company sold 100,000 tonnes of East German steel a year but this amount has been cut to 42,000 tonnes.

East Germany has nevertheless been able to sell some DM 77m worth of iron and steel directly to West Germany in the first half of this year as part of inter zonal trade although this is also becoming more difficult as a result of the saturated West German steel market.

"We sell only commercial steel, no special steels. We buy the lower end of the quality range, steel for wheelbarrows, for example," the steel trader said.

Hard currency prices for East European steel have added to the current half what they used to be. Prices for Comecon steel in the West are also based on the quality produced. The East Germans have the best reputation while the Eastern countries are less quality conscious.

The steel traders are not troubled by the growing Comecon presence on Western companies to make counter purchases, as they are mainly buyers of

Occasionally, however, they also sell steel to Eastern Europe which is used, for example, in car manufacture.

"We have even sold steel from one Comecon country to another for hard currency," he explained. Normally it would be traded in barter deals between the East European countries but "when they are suddenly short of steel they don't care where it comes from."

As a result of EEC quotas the steel trading companies are having to find alternative markets for their steel, such as the Middle East, the Far East and some African countries. At the same time they have had to find other sources of cheap steel for their political blacklist such as South Africa and Rhodesia.

"We naturally won't upset the apple cart by breaking the embargo," the trader explained. His company, he said, does "several hundreds of millions of dollars turnover a year with anywhere from two fifths to half of this amount in Comecon steel."

He noted that since December

steel prices in the EEC had risen by 50 per cent as a result of what he called "the artificial barriers."

Now, however, the UK steel market was being "flooded" with steel from other EEC countries. "Instead of third country steel, British Steel Corporation is getting competition from the French, West Germans and the Italians. EEC simply is not getting the market share it has hoped for," he remarks.

What sort of future does the steel trader have as additional barriers are erected to exclude imports? He has a healthy scepticism about the effectiveness of quotas, noting that "when over governments make regulation there are loopholes."

He claimed the most important factor in favour of the steel traders was their flexibility. Giant steel corporations in the West, including nationalised ones, were remarkably similar to giant state steel companies in the Communist countries, in that both of them were unwieldy and unable to adjust to fast changing market conditions.

"We are the ones in the middle," he observed. "Between rigid producers and rigid users. We take the greater risk and I think one could say we are reasonably well paid for it."

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Skoda re-launches Estelle

FINANCIAL TIMES REPORTER

THERE IS to be a £250,000 advertising campaign to re-establish Skoda's Super Estelle car in Britain, the Czechoslovakian group's best market outside the Comecon countries.

Introduced the first time early in 1977, the Super Estelle was criticised by motoring correspondents for its steering and handling characteristics. After discussions with the U.K. Department of Transport, Skoda's UK subsidiary agreed to make modifications.

The modified car, with British shock absorbers, wheels and tyres, was quietly brought onto the market in the summer of

this year but now Skoda (GB) is to mount an aggressive promotional campaign. It will run for eight weeks until the end of November.

Mr. Richard Friend, UK car sales manager, says that Skoda's target is to sell around 10,000 cars this year in Britain, 12,000 in 1978 and 13,000 to 14,000 the following year compared with registrations of 9,447 in 1977.

In Czechoslovakia, the present plan is for production of the current rear-engine Skoda range to be continued, with facilities, until 1982. There is pressure, particularly from West European importers, for a change to be

made at that stage to a front-engine vehicle which would have better export prospects.

The Skoda factory, an integrated plant 35 miles north east of Prague at Mladá Boleslav, has a current capacity of around 200,000 units a year and by 1980 this will have improved to 220,000. There have been some suggestions that a new car plant might be built at Bratislava as demand increases.

Currently some £2m of motor components are being exported to Czechoslovakia from the UK and efforts are being made to increase this substantially.

Footwear talks

By Victor Mackie

OTTAWA, Oct. 15. STRONG REPRESENTATIONS have been made to the Canadian Trade Minister, Mr. Jack Horner, by Britain's Secretary of State for Trade, Mr. Edmund Dell, to ease the Canadian footwear quotas which are working a hardship on the British boot and shoe industry.

\$175m loan for Oman

By Our Own Correspondent

DUBAI, Oct. 15.

THE ABU DHABI fund for Arab economic development has signed an agreement to lend Omani \$175m. The seven-year loan carries a 6 per cent interest and a three-year grace period, and is to help finance an oil exploration programme in southern Oman. Part of the project will include a pipeline from the southern fields to the northern coast.

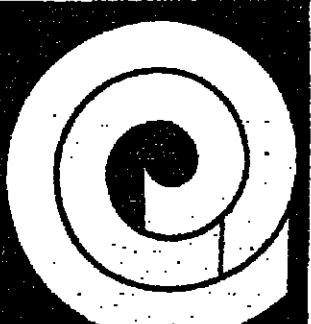
The project is to cost a total of \$295m and it is hoped that the fields will help boost declining oil revenues.

The Abu Dhabi loan to Oman follows a border dispute between Oman and the United Arab Emirates' most northern emirate, Ras Al Khaimah. There has been a constant stream of Omani defence visitors to the UAE capital recently, but there has been no announcement that the dispute has been resolved.

World Economic Indicators

| | | UNEMPLOYMENT | | | |
|--------------|-------|--------------|---------|---------|----------|
| | | Sept. 77 | Aug. 78 | July 78 | Sept. 77 |
| UK* | 000's | 1,378.1 | 1,392.1 | 1,371.2 | 1,444.4 |
| | % | 5.8 | 5.8 | 5.7 | 6.1 |
| West Germany | 000's | 864.3 | 923.9 | 922.0 | 911.2 |
| | % | 3.8 | 4.0 | 4.0 | 4.0 |
| Holland* | 000's | 211.6 | 210.5 | 206.5 | 207.8 |
| | % | 5.3 | 5.3 | 5.2 | 5.4 |
| Belgium | 000's | 270.5 | 272.7 | 264.7 | 258.6 |
| | % | 6.8 | 6.8 | 6.6 | 6.3 |
| France | 000's | 1,157 | 1,094 | 1,039 | 1,216 |
| | % | 5.0 | 5.0 | 4.7 | 5.5 |
| U.S.* | 000's | 6,002 | 6,193 | 5,754 | 6,900 |
| | % | 6.0 | 6.2 | 5.7 | 7.1 |
| Japan | 000's | 1,240 | 1,230 | 1,230 | 1,110 |
| | % | 2.2 | 2.2 | 2.2 | 2.1 |
| Italy | 000's | 1,658.0 | 1,450.0 | 1,520.0 | 1,692.0 |
| | % | 7.5 | 7.2 | 8.0 | 7.9 |

* Seasonally adjusted. † Provisional.



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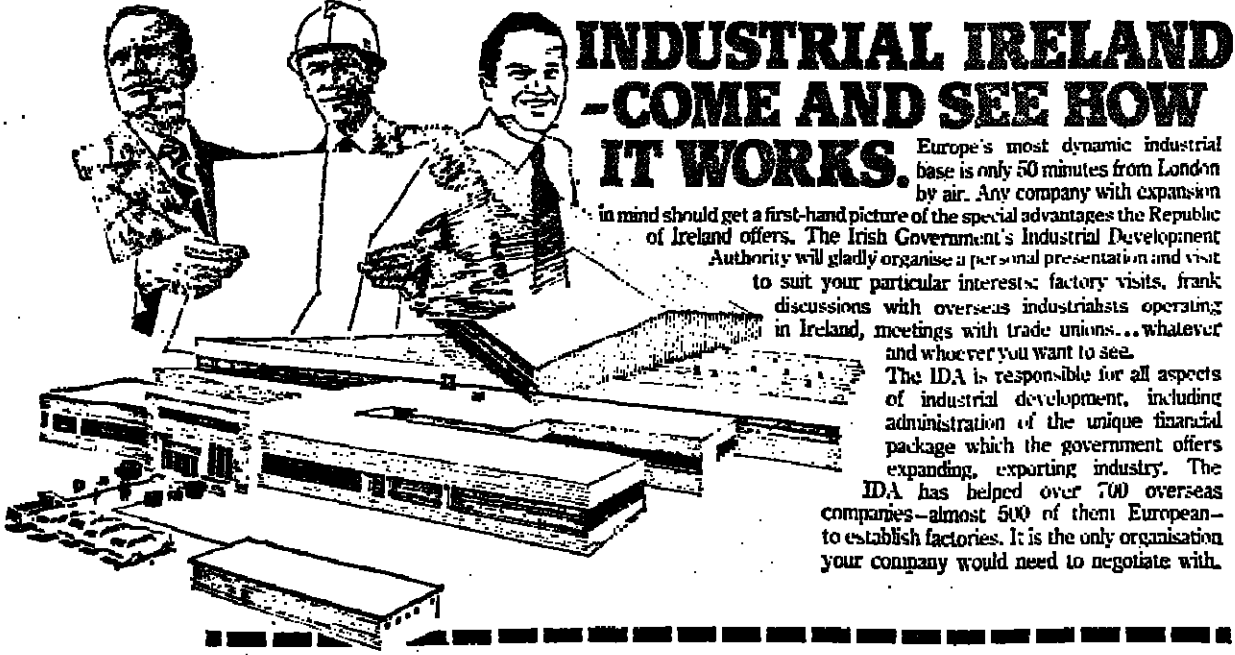
There has been no discrimination between domestic and overseas companies wishing to expand in Ireland.

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HOME NEWS

Press Council drops probe into bias charges by Wilson

BY MAURICE SAMUELSON

THE PRESS COUNCIL has decided to drop its inquiries into allegations by Sir Harold Wilson four years ago that a number of national newspapers were conducting a smear campaign against him and the Labour Party on the eve of the October 1974 General Election.

The former Prime Minister's allegations had been made following the so-called "land deals" affair. Mr. Wilson, as he then was, had claimed that there was an orchestrated vendetta against himself, the Labour Party and Lady Falkender (then Mrs. Marcia Williams).

The Press Council noted that Sir Harold had himself withdrawn some of his allegations. Subsequently, Sir Harold had told the Press Council that he did not think newspaper proprietors or editors had instructed journalists to "go round and dig out untrue material."

The Press Council had offered to hear further evidence from Sir Harold, but he had not made formal complaints. On the question of Press bias against the Labour Party, the council says that it accepts the Royal Commission's conclusion that there was no strong anti-Labour bias in the Press.

The Press Council's statement is one of several reports published today. In another adjudication, the council upholds complaints against the Daily Mail and the Daily Express for publishing a picture of the body of Lady Henrietta Guinness, after her death in Italy earlier this year.

Criticisms of the Daily Mail's treatment of Lady Guinness' death, after a fall from a bridge in Italy, had been made by Sir Alan Hare, her uncle, accompanied by a statement from the dead woman's mother, Lady Elizabeth More O'Ferrall.

The council says that the obtaining of news or pictures should be carried out with sympathy and discretion. The Council also upholds the complaints about a cartoon in the Evening Standard, dealing with the murder of Mr. Walter Scott Elliott by his butler, which it called "a shocking outrage on decency and justice."

However, it rejects complaints against the Daily Mail concerning a photograph of the body of Italian politician Sig. Aldo Moro in the back of a car, and against the Daily Telegraph for publishing pictures of massacre victims in Rhodesia.

The Council also rejects a complaint by Labour MP Mr. Eric Moonman against allegations in the Sunday Times that Israel had tortured Arab prisoners. The Council said it was not its function to decide whether the allegations were true, but it considered that the editor had reasonable grounds at the time for believing them.

Mr. Moonman, who is also chairman of both the Labour Newspaper Group and the British Zionist Federation, said yesterday that Press Council procedures "do not give an ordinary complainant a fair chance." He would take the matter up with the Prime Minister.

Coal 'an essential' as oil and gas dwindle

BY MAURICE SAMUELSON

THE ARGUMENT that coal will be needed in 20 or 25 years to make up for dwindling supplies of oil and natural gas is strongly supported by all the available evidence, says Sir William Hawthorne, chairman of the Energy Department's advisory council on conservation.

What is less widely understood, he says, is that if present coal production and investment are reduced, the coal supplies would not be available when required in a quarter of a century.

Sir William, reviewing Sir Derek Ezra's recent book, *Coal and Energy in the National Coal Board's Journal*, *Coal and Energy Quarterly*, asks how enough "wise virgins" are to be persuaded to go on using and even increasing their use of coal in the present period of plentiful oil and natural gas.

The exploration of such

policies would be a challenge to politicians and the building of large coal-fired power stations, the answers to Britain's fuel problems in the next century, the Coal Board's journal says.

The islands are one of various schemes suggested in the journal. Dr. J. C. Whitehead, a member of the board's research establishment, also proposes the extension of conventional methods, since a number of mines in North-East England, Scotland, Cumbria, and North Wales already produce coal from faces under the sea.

Under-sea workings could quite easily be extended to operate 25 km from land, he says. Dr. Whitehead also proposes remotely-controlled techniques for decomposing the coal.

He writes that activities already under way throughout the world in many technologies could have a significant bearing on whether the North Sea coal reserves can be tapped.

● The building of islands in the

Inflation expected to rise in spring

BY DAVID FREUD

INFLATION WILL remain at its present annual rate of about 8 per cent until at least next spring, according to City stockbrokers Hoare Govett. The rate was then likely to start to increase as a result of rising commodity prices and labour costs.

The rate of retail price inflation in the second half of the year would have been lower had it not been for the temporary period of sterling weakness in the first half of the year.

Sterling would maintain an effective exchange rate in the weighted index range of 61.5 to 64. For this reason, raw material costs should be held down this year, although next year there was likely to be some pressure on costs as a result of a firming of commodity prices.

Reduction

The underlying conditions in the labour market were more significant for the level of wage increases than the Government's pay target of 5 per cent—whether or not it held.

Unemployment was still extremely high for this stage of the business cycle, and because retail price increases were well below those at the start of the previous wage round there should be a significant reduction in the level of wage settlements in the present round.

Supermarket chains open three big stores in South

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

SUPERSTORE development in International's seventh superstore in the South of England takes a big step forward to-morrow when three leading supermarket chains each open a giant store, adding a total of almost 140,000 square feet of shopping space.

The move represents a considerable achievement by the supermarket retailers, who have had to overcome reluctance by the Department of Environment and some local authorities to allow superstore development in the North of England have shown greater readiness to allow large store developments.

The three superstores opening to the public tomorrow are: ● At Hemstead, near Gillingham, Kent, where British Home Stores and J. Sainsbury are jointly opening a superstore under the name SavaCentre. The store will have 57,000 sq ft of selling space and is the second joint superstore venture by the two companies. A year ago, the first SavaCentre was opened in Washington new town.

● At South Woodham Ferrers, Essex, where Asda Stores, a subsidiary of the Northern-based Associated Dairies, is opening a 36,500 sq ft superstore at a cost of £2m. Asda has been one of the pioneers of superstore development in the north and has a reputation for cut-price trading. The Essex store is the company's first development into the south-east.

● At Windsor, where International Stores is opening a 35,000 sq ft store at a cost of £2.5m. The Windsor store is spread in the South. Last week, Mr. Peter Shore, Environment Secretary, gave the go-ahead for a 60,000 sq ft superstore to be built by Tesco at Bursledon, outside Southampton. Mr. Shore's approval came after the scheme had been opposed by the local council. The main superstore developers so far have failed to achieve any success with large store developments in the London area. Tesco, for example, recently had plans for a 100,000 sq ft store at Neasden, north London, rejected by the local borough of £2m. Asda has been one of the pioneers of superstore development in the north and has a reputation for cut-price trading. The Essex store is the company's first development into the south-east.

Because the supermarket groups are now all more willing to work closely with local authorities in any development—and to offer cultural or sporting facilities in addition to store construction—it seems likely that the superstore revolution will gradually become more widespread. The Windsor store is spread in the South.

Prentice seeks Tory adoption

BY MAURICE SAMUELSON

MR. REG PRENTICE, the former Labour Cabinet Minister, seeks adoption tonight as prospective Conservative candidate for the Scottish seat of Moray and Nairn.

It will be the third seat for which Mr. Prentice has sought the Conservative nomination since he joined the party a year ago, after being ousted by Newham North-East Labour Party. He previously failed to

secure the Tory candidature at both Wycombe and East Renfrewshire after being included in the final short list of applicants.

The Moray and Nairn Tories make their final choice between Mr. Prentice and Mr. Alex Pollock, a lawyer, who stood for the seat at the last General Election, when he was beaten into second place by Mrs. Winifred Ewing, Scottish Nationalist, by 387 votes.

Mr. Prentice has said that Mrs. Margaret Thatcher would like to see him fight a seat for the Conservatives at the next election, but Scottish Conservatives deny that there has been pressure from the Tory leadership.

Mr. James Allingham, chairman of the Moray and Nairn association, said yesterday: "There could be an announcement on Monday night, but it is by no means certain."

Concern expressed on pensions rise

BY ERIC SHORT

CONCERN OVER the forthcoming increase in old-age pensions—due next month—has been expressed by Mr. Hugh Faulkner, director of Help the Aged, in a letter to Mr. David Ennals, Secretary of State for Social Services.

Mr. Faulkner said that the Government, under the Social Security Act, 1975, should relate the level of pensions, either to earnings or prices depending on which was considered more advantageous.

The latest figures issued by the Department of Employment showed that average earnings rose 14.2 per cent between July last year and July this year, but pensions are rising by only 11.5 per cent.

This 11.5 per cent value was based on an estimate of earnings

increases made in April this year when the increases were announced in the Budget.

Mr. Faulkner is asking Mr. Ennals what plans he has to increase the retirement pension so that it fulfils the conditions of the Act.

The previous two pension upratings in 1976 and last year were both based on estimated movements in prices over the year—because during those years prices moved ahead of earnings. In each case the estimates were based on the historical movement of national average earnings.

This method aroused criticism because by the time the pension increase came to be implemented, six months after the announcement, it had already been eroded by inflation.

OBITUARY

Sir Halford Reddish

THE DEATH of Sir Halford Reddish at 80 deprives British industry of one of its most colourful, forceful and effective personalities.

His resignation from the chairmanship of Rugby Portland Cement two years ago was overshadowed by his unsuccessful attempt to block the appointment of Lord Boyd-Carpenter to succeed him.

But if only briefly obscured his achievement in steadily building up its profits from £1,500 in 1933, when he assumed the management, to more than £11m pre-tax profits reported at his last annual general meeting.

Sir Halford joined Rugby Portland's board in 1929 and took over the management four years later when the company had only one small works with an annual output capacity of 30,000 tons of cement.

The company went public in 1935 and now has a chain of cement works in Britain and overseas.

After his demobilisation at the end of the First World War, Sir Halford became an articled accountant, then studied insurance and became an underwriting member of Lloyd's.

His other interests included engineering and metallurgy, and he served as chairman when he Trussed Concrete Steel Company and of Charles Nelson and Company. He was a director of the Alderm Investment Trust and of Granada Theatres.

His long reign at Portland Rugby Cement—he was chairman, chief executive and a large shareholder—was accompanied by progressive management, but by progressive management, the selected works committees at all its plants, from 1945 it had a profit-sharing scheme and from 1954, it also had an employee shareholding scheme.

There was a distinctly 19th century flavour about his last speech as chairman when he called on Britain to return to "the old ethical standards" if it was to be saved from economic collapse.

It was typical of a man whose idealistic views about personal and political morality were inman, chief executive and a large shareholder—was accompanied by entrepreneurial prowess.



Sir HALFORD REDDISH
Appealed for old standards

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the fine institutions who by friendship and co-operation have enabled us to become what we are today: a 100 billion Schilling bank.

We know how reassuring it is to be able to rely on friends in London, New York and in all the financial centres of the world. This is why we think that we ought to tell you and all our banking partners all over the world, there is a friend to rely on in Austria.



Girozentrale Vienna

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Gold Fields

Preliminary Announcement of Results for the year to 30th June 1978 and Proposed Final Dividend on Ordinary Shares

At the Annual General Meeting to be held at the Dorchester Hotel, Park Lane, London, W.1., on Tuesday 28 November 1978, at 11.30 a.m., the Directors will recommend a final dividend of 6-0005p per fully paid Ordinary share payable on 6 December 1978. Together with the interim dividend of 3-1916p per share this amount will make a total of 9-1921p per share for the year. After taking into account the related tax credit, this total is equivalent to 13-7195p per share compared with 12-4723p per share the previous year and represents an increase of 10% which is the maximum permitted under current legislation.

The results of the Group for the year were as follows:

| | 1978 £ million | 1977 £ million |
|---|-------------------|-------------------|
| Operating profit: | | |
| Construction materials | 30.3 | 17.7 |
| Industrial and commercial | 17.7 | 14.9 |
| Mining | 7.7 | 4.8 |
| Financial | | |
| Dividends on investments | 16.3 | 14.8 |
| Realisation of investments | 3.6 | 6.0 |
| Other revenue net of charges | (11.9) | (21.6) |
| Exceptional items | 73.7 | 43.8 |
| Share of profit of associated companies | 13.8 | 8.6 |
| Profit before interest and taxation | 87.5 | 52.2 |
| Interest payable | 17.7 | 16.6 |
| Profit before taxation | 69.8 | 35.6 |
| Taxation | | |
| Group | 28.8 | 15.5 |
| Associated Companies | 0.9 | 0.6 |
| Profit after taxation | 40.1 | 19.5 |
| Attributable to outside shareholders | 5.8 | (5.5) |
| Attributable to the members of Consolidated Gold Fields Limited | 34.5 | 25.0 |
| Ordinary dividends (including proposed final) | 13.5 | 9.9 |
| Retained | 21.0 | 15.1 |
| | 34.5 | 25.0 |
| Earnings per share (based on the average issued ordinary share capital) | 25-15p | 20-28p* |

*Adjusted in respect of the rights issue in November 1977.

NOTES:

1. Profit before interest and taxation Profit before interest and taxation increased by £35.3 million (68 per cent) to £87.5 million. The principal factors were:

(a) Construction Materials Increase £12.6 million. In the United Kingdom continued improvements in productivity, plus a small upturn in demand for most of Amey Roadstone Corporation's products, resulted in substantially higher profits being achieved. In the United States, profits included those arising from the acquisition of Hydro Conduit Corporation in July 1977.

(b) Industrial and Commercial Increase £2.8 million. This was mainly attributable to higher sales in the United Kingdom and on the Continent of beer containers and dispensing equipment by Alumatic and improved steel markets and manufacturing efficiencies in Azcon.

(c) Mining Increase £2.9 million. In Australia, because of higher tin prices and production, Renison's profits increased sharply. This was offset to some extent by a number of adverse factors including difficult market conditions for the iron ore and mineral sands operations.

4. Annual Report and Final Dividend

It is intended to post the Report and Accounts on 27 October 1978, and subject to approval of the proposed final dividend at the Annual General Meeting, the following arrangements with regard to payment will be made:

The dividend will be payable to holders of Ordinary shares registered in the books of the Company at the close of business on 27 October 1978, and to holders of Coupon No. 124 detached from Ordinary Share Warrants to Bearer.

Dividend warrants will be posted to registered shareholders on 5 December 1978. Shareholders on the Johannesburg Branch Register of the Company will be paid from the Company's office at 75 Fox Street, Johannesburg, in South African currency at the London foreign exchange market spot selling rate for Rand at the close of business on 27 October 1978, or, if no dealings in Rand are transacted on the date, at the close of business on the day next following on which dealings in Rand are transacted.

Holders of Ordinary Share Warrants to Bearer are notified that Coupon No. 124 will be paid: in London at Midland Bank Limited, New Issue Department, Mariner House, Pepys Street, London, EC3N 4DA or in Paris at Lloyds Bank International (France) Limited, 43 Boulevard des Capucines, 75061 Paris, Cedex 02 or in Zurich at Union Bank of Switzerland, 8021 Zurich, 45 Bahnhofstrasse on 6 December 1978, or at the expiration of six clear days after lodgment thereof, whichever is the later.

By Order of the Board,
P. F. G. ROE
Secretary

Consolidated Gold Fields Limited
49 MOORGATE, LONDON, EC2R 6BQ

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Oil rush 'increases accident risk'

Financial Times Reporter

MORE BIG accidents may happen in the North Sea because the "headlong rush" for oil has outstripped any ability or plans to deal with emergencies, says a book published today.

For years to come, new risks will be taken, more accidents happen and lives be lost because this is "part of the price to be paid for such huge developments as those now taking place," Mr. Guy Arnold writes in "Britain's Oil".

There would be a blow-out for every 450 wells drilled. And with many more tankers expected to enter British waters to take off North Sea oil, the chances of far greater shoreline pollution had risen correspondingly.

Safety claims

This is particularly likely to happen off either Shetland or Orkney where two of the huge new terminals—Sullom Voe and Flotta—have been sited.

The oil companies' claims to take all necessary precautions were largely a "public exercise," and at Sullom Voe British Petroleum was believed to be "only playing at environmental control."

Britain's Oil, by Guy Arnold, Hamish Hamilton, £8.95p.

Ford supplies 63% of salesmen's cars

BY KENNETH GOODING

SALESMEN choose Ford cars and directors prefer BL (British Leyland) according to a survey of the company car market published today. And while most companies get a 12½ to 13½ per cent discount on list prices, only those with very large fleets can obtain a discount of more than 14½ per cent.

Among the 558 companies covered in the survey by the magazine Company Secretary's Review, Ford dominated with a 63 per cent share of salesmen's cars. The Cortina was their most popular model.

Chrysler was in second place, its Avenger having a 15 per cent share. BL was third with 12½ per cent. The Marina accounted for the major part of this with the Allegro, Maxi and Mite sharing a very small balance. Vauxhall had a 7 per cent share.

All these companies are trying hard to catch Ford and build up sales to company fleet operators because this part of the market is now accounting for about 70 per cent of new car sales in the UK.

Fleet operators usually prefer to buy all their cars from one manufacturer because this creates fewer servicing problems. This makes it essential that a maker's range should cover all market requirements.

Ford's success is evident from the survey, which shows that in the directors' car sector it was not far behind BL, which has a wider range of "executive" cars. BL had 36 per cent and Ford 32 per cent. The Ford Granada was the top individual model in this sector and the Rover 3500 came second.

Ford showed up strongly among cars for senior management with a 72 per cent share of the total. The Cortina was again the number one model with the Granada also prominent.

Foreign cars in company fleets are comparatively rare, but they are chosen frequently when a director is able to pick his own model within price or engine size limits. German makes are the most popular — Mercedes, Audi, BMW — as well as the Swedish Volvo.

Survey into Company Car Schemes. Price £5 from Company Secretary's Review, Tolley Publishing, 102, High Street, Croydon, Surrey CRO 1ND.

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UK wine drinking rises by 25%

By Our Consumer Affairs Correspondent

WINE CONSUMPTION in the UK is up by almost a quarter for this year, despite relatively poor sales during the summer because of bad weather, according to figures released yesterday by the Wine and Spirit Association.

The Association said that according to Customs and Excise statistics, wine duty was paid in July on 5.5m gallons, an increase of just over 5 per cent on the corresponding month last year. In the first seven months of this year the total amount of wine on which duty was paid amounted to nearly 38m gallons, almost 24 per cent more than over the same period last year.

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'Best for UK to join monetary system now'

BY DAVID FREUD

THE TIMING for the UK joining the proposed European monetary system could not be more opportune, according to the Economic Models group of companies, international forecasters based in London.

The West German D-mark, the strongest currency in the European monetary group, was overvalued, both in labour cost and price level terms.

At the same time, British inflation was far below the rates of

recent years, so there was less reason for devaluation. Furthermore, the UK was likely to run a surplus on goods and services for the next few years, instead of the usual deficit.

For these reasons, the group's forecast of the effective exchange rates for the mark and pound are well within the limits of flexibility of the proposed compromise system, at least for the next 18 months.

If closer monetary links in

Europe were to be forged and if Britain were to join in, this was the time to do it.

Nevertheless, it was unlikely that the UK would join the system, both because of the risks involved and because it offered few advantages to Britain.

The inflation rate was twice that in Germany and was likely to accelerate to three times the German rate.

This brought the serious danger that an over-valued

exchange rate would damage the competitiveness of exports and profit margins in export industries with serious consequences for employment and for the return on investment in manufacturing industry.

To join the system would be a further risk that it might be necessary to impose a monetary policy in order to maintain the exchange rate within the required limit.

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To join the system would be a further risk that it might be necessary to impose a monetary policy in order to maintain the exchange rate within the required limit.

New standard issued on deferred taxation

BY MICHAEL LAFFERTY

THE NEW accounting standard on deferred taxation, published today by the Accounting Standards Committee, should end three years of controversy in the accountancy profession, industry, and the City about the most appropriate method of reflecting tax liabilities in company accounts.

The new standard — known simply as SSAP15 — comes down firmly on the side of those who have argued that companies should only provide for the taxes they expect actually to have to pay over to the government.

In other words, instead of setting up tax liabilities as a deferred corporation tax rate of 52 per cent, companies will be able to use lower rates which will be determined each year by the tax allowances available for investment in plant and stocks.

Traditionally, the British accountancy profession, like its counterpart in the U.S., has favoured a system of full deferred tax accounting.

The idea was that each year's profits should bear their full share of the tax burden regardless of any differences between tax and commercial accounting rules.

This was entirely consistent with the historic cost accounting convention, and worked well so long as the tax rules were not significantly out of line with commercial accounting principles.

It is hardly surprising therefore that there was little public dispute when the Accounting Standards Committee moved in the early 1970s to codify deferred tax accounting as a full-scale accounting standard.

The ruling eventually emerged in the form of Statement of Accounting Practice 11 (SSAP 11) in August, 1975, and was expected to cause little change in company accounts.

But major problems were looming because of significant changes in the corporate tax system.

The close alignment between tax and company accounting first took a knock with the introduction of 100 per cent tax relief for capital expenditure.

The disparity became much greater when the Government introduced stock appreciation in the 1974 budget. The result was that the tax accounting system was, in rough terms, on an inflation-adjusted basis; company accounts, on the other hand continued on the historic basis.

Deferred taxation should be accounted for on all short-term timing differences which can be eliminated. The position should be reviewed each year and regard should be had to the past pattern of capital expenditure and stock levels and whether forecasts made in the past have proved to be reliable.

Where the criteria are not fully satisfied it may be appropriate to provide only part of the full potential deferred taxation. The partial amount not provided should be based on substantiated calculations and assumptions which are explained in the financial statements.

Where the criteria are not satisfied the directors will have no basis for assuming that timing differences will not reverse and accordingly deferred taxation should be provided.

Debit balances on deferred taxation account arising from either timing differences or the payment of ACT should be carried forward only if there is reasonable certainty of their recovery in future periods.

The potential amount of deferred tax for all timing differences should be disclosed by way of note, distinguishing between the various principal categories of deferred tax and showing for each category the amount that has been provided within the accounts.

Profit and loss account:

Because of this disparity it gradually became clear that application of SSAP11 would simply result in the build-up of very large deferred tax liabilities in company accounts representing amounts which might never become payable to the Inland Revenue — provided companies continued to invest in plant to increase stock levels.

The realisation quickly led to one of the most extraordinary campaigns against an accounting standard in the history of the UK accountancy profession.

Industrial opposition to the standard was co-ordinated by the CBI, and support for a change of policy also came from the Committee of London Clearing Banks, the British Insurance Association and a number of leading accountancy firms — notably Price Waterhouse.

Eventually ASC relented, suspended SSAP 11, and set about the task of coming up with a more acceptable tax accounting standard.

One of the points made by the critics of SSAP 11 was the political threat posed by full deferred tax accounting. The suggestion was that a future Government might call in all the deferred tax, or nationalise companies instead.

Deferred taxation dealt with in the profit and loss account should be shown separately as a component of the total tax charge or credit in the profit and loss account, or by way of note to the financial statements.

The profit and loss account or a note to the financial statements should indicate the extent to which the taxation charge for the period has been reduced by accelerated capital allowances, stock appreciation relief and other timing differences.

Adjustments to the deferred taxation account resulting from change in the rate of taxation should be separately disclosed as part of the taxation charge for the period, unless the change in rate is associated with a fundamental change in the basis of taxation, in which case the adjustment should be treated as an extraordinary item.

Deferred taxation charges or credits which relate to extraordinary items should themselves be shown separately as part of such items.

Balance sheet: Deferred taxation account balances should be shown separately in the balance sheet and described as "deferred taxation." They should not be shown as part of shareholders' funds.

A note in the financial statements should indicate the nature and amount of the major elements of which the net

balance is composed and a description of the method of calculation adopted.

Where amounts of deferred taxation arise which relate to movements on reserves (that is, resulting from a revaluation of assets) the amounts transferred to or from deferred taxation account should be shown separately as part of such movements.

Where the value of an asset is shown by way of note on the face of or annexed to the financial statements and that value differs from the book value of the asset, the note should also show, if material, the tax implications which would result from the realisation of the asset at the balance sheet date at the stated value.

Transitional arrangements: On the introduction of this standard the opening balance on deferred taxation account should be calculated and recalculated on the basis set out in this standard and the necessary provision set up or the existing provision adjusted accordingly, as a prior year adjustment.

Date from which effective: The accounting practices set out in this statement should be adopted as from 1st January 1979, and regarded as standard in respect of financial statements relating to accounting periods beginning on or after January 1, 1979.

Deferred taxation dealt with in the profit and loss account should be shown separately as a component of the total tax charge or credit in the profit and loss account, or by way of note to the financial statements.

The profit and loss account or a note to the financial statements should indicate the extent to which the taxation charge for the period has been reduced by accelerated capital allowances, stock appreciation relief and other timing differences.

Adjustments to the deferred taxation account resulting from change in the rate of taxation should be separately disclosed as part of the taxation charge for the period, unless the change in rate is associated with a fundamental change in the basis of taxation, in which case the adjustment should be treated as an extraordinary item.

Deferred taxation charges or credits which relate to extraordinary items should themselves be shown separately as part of such items.

Balance sheet: Deferred taxation account balances should be shown separately in the balance sheet and described as "deferred taxation." They should not be shown as part of shareholders' funds.

A note in the financial statements should indicate the nature and amount of the major elements of which the net

balance is composed and a description of the method of calculation adopted.

Where amounts of deferred taxation arise which relate to movements on reserves (that is, resulting from a revaluation of assets) the amounts transferred to or from deferred taxation account should be shown separately as part of such movements.

Where the value of an asset is shown by way of note on the face of or annexed to the financial statements and that value differs from the book value of the asset, the note should also show, if material, the tax implications which would result from the realisation of the asset at the balance sheet date at the stated value.

Transitional arrangements: On the introduction of this standard the opening balance on deferred taxation account should be calculated and recalculated on the basis set out in this standard and the necessary provision set up or the existing provision adjusted accordingly, as a prior year adjustment.

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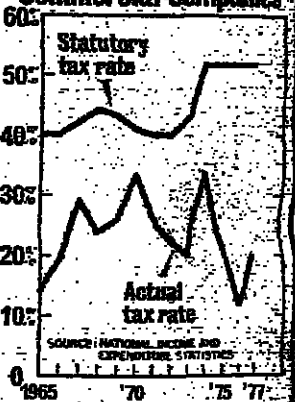
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Deferred taxation charges or credits which relate to extraordinary items should themselves be shown separately as part of such items.

Balance sheet: Deferred taxation account balances should be shown separately in the balance sheet and described as "deferred taxation." They should not be shown as part of shareholders' funds.

A note in the financial statements should indicate the nature and amount of the major elements of which the net

UK Industrial and Commercial Companies



between the various principal categories.

It was a dispute over this which the clearing banks which delayed earlier publication of the new standard. The clearing banks feared that the note disclosure would lead to revelation of their own tax provisions and reserves.

However, a subsequent market standing with the clearing banks and auditors has overcome this particular problem.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

TRANSPORT

Running a tight delivery schedule

VEHICLE SCHEDULING where many lorries, depots and delivery points are involved is a task which can be performed manually but one which is extremely difficult to carry out quickly and with full guarantee of success at each attempt.

For a number of years, computer technologists have been attempting to solve the so-called travelling salesman problem elegantly and simply, using the speed and capacity of the computer to run very quickly through all the possible permutations in journeys and stop-off points — indeed, the first scheduling programs were written in 1963. But it was not until the appearance of the more powerful and reliable mini-computers that the possibility emerged of simplifying and streamlining scheduling procedures and interlinking them with other work such as order picking, etc., and producing a package which can be operated at relatively low cost.

Such a package is Vanplan by

Seicon. But what distinguishes it immediately is that it works interactively with the operator so that the latter very quickly and efficiently can try out several solutions to a particular problem, with prompting and aid from the equipment.

A recent study of what the interactive equipment can do for a company with many vehicles and depots—in this instance a major 50-depot food distributor—showed that compared with manual scheduling, the Vanplan approach could save the company about £250,000 a year in costs of wasted journeys, inaccurate loading, inefficient use of available goods vehicles, and so on. For this user, licensing would work out at about £25,000 a year, the basic price being £15,000 to which an increment is added depending on the number of depots.

Developed under the National Computing Centre's Software Products Scheme, Vanplan is written on PDP 11 in Fortran. It could be used with practically

any display and keyboard and on most minis handling Fortran and equipped with discs.

Apart from the immediacy with which the system reacts to any change in demands from customers—even very late in the day—a significant advantage of the method is that it is likely to make it much easier to provide invoices with goods delivered.

There is also the facility to regulate picking in warehouses so that order pickers' tasks are greatly simplified, while loading is done logically in step with the stopping schedule.

Fewer vehicles are needed to service customers and vehicles do not go out with obsolete loads.

At the customer end, the effect of Vanplan is that it permits dispatchers to warn recipients to have an unloading crew on standby within a reasonable time before the vehicle arrives, rather than having them hang around for half a day.

Basic information held is a listing of the company's customers and where they are, typical delivery frequency, vehicle restrictions, early closing days and any other facts that would impede delivery.

Orders are fed into the system as they come in during the day and when the time comes to plan delivery routes, the program produces lists of orders, together with the most effective schedules and routes, maps of the routes to be taken and information for picking lists and delivery notes.

This is the latest in a series of products from the Seicon Group which expects to reach a turnover of £26m this year against £12m in 1977, of which £11m comes from the operations of the German affiliate, E9m, is attributable to the bureau based in Milton Keynes and the remainder to consultancy in some 50 countries.

Further from Seicon Consultancy, Sanderson House, 49 Berner Street, London, W1P 4AQ. 01-580 6599.

SAFETY

Better breathing for welders

FOLLOWING RESEARCH into the magnitude of health hazards from the various components of welding fume, the Health and Safety Executive has produced a list of Threshold Limit Values (TLVs). During welding operations, any open welding arc produces fume which may be dangerous to the welder and to others in the vicinity, and a continuing problem is to ensure that workers are not subjected to any concentration in excess of the TLV.

Where there exists a high concentration of contaminants within the arc's area, the Factory Inspectorate recommends that the fume from any open arc welding process be adequately removed from the source so as to enable the breathing zone of the operator to be largely free from such contamination. This can best be achieved by local extraction in the vicinity of the arc, says Defuma, Royce Road, Carr Road Industrial Estate, Peterborough (0738 44344).

The company has developed a portable unit which is designed to improve the immediate breathing zone and working environment of welders, and has been put on the market as an extensive on-site proving trial carried out at the works of Baker Perkins under the supervision of the Welding Institute. The unit is three feet high with a cantilever system which allows a working radius of 11 feet 6 inches. It has a 3-inch fire-resistant hose that draws suction from a powerful central fan and is said to completely remove fume from up to 10 inches from the welding arc. The simple electrostatic precipitator and so obviates high-cost placement filters.

Following recent installation of the unit in various Baker Perkins factories, says the company, welders there are already experiencing its benefits.

ELECTRONICS

Low cost per bit

RELEASED by Plessey Microsystems are two serial memory cards based on Fairchild 464 charge coupled devices which, claims Plessey, offer the lowest cost per bit of all semiconductor memories.

PSM 5680 has a capacity of three million bits and is intended for bulk storage applications where it will offer both low power consumption and high data rates. Data input-output transceivers are incorporated as part of the control and interfacing to a 12 bit bidirectional bus. Various word length options are available, compatible with display stores, image and data processing systems.

The other card, PSM 5683, is a double Eurocard size containing two million bits of memory and peripheral circuits arranged especially for eight and 16 bit microprocessors. Thus compact,

low-dissipation memory of 256 bytes (or characters) has been put on a single card interfaced directly to the microprocessor bus.

Clearly, for small systems at any rate, this movement into the megabyte region throws some doubt upon the ultimate future of the floppy disc. Cost/bit is about half that of RAM.

Mean latency is 524 microseconds and the memory can be operated in read, write, read/modify/write, serial or byte modes on receipt of a command code.

Interface to the board is TTL and the total consumption is under 16 watts in the standby mode. There is an internal 5 MHz clock, and a halt facility is provided which could be used, for example, to synchronise data with a peripheral device. Mean time between failures is specified at better than 20,000 hours.

One-off prices are £1,700 for 2 Mbits, £2,300 for the 3 Mbits bulk storage card.

More from the company at Water Lane, Towcester, Northants NN12 7JN (0327 503121).

FARMING

Deals with heavy crops

TWO RECTANGULAR bale machines have been announced by International Harvester Company, PO Box 25, 259 City Road, London EC1P 1AD.

The most outstanding change, between the 435 and 445 and their forerunners, is the widening and redesigning of the pickup cylinder.

The 445 has the larger capacity of the two new models. Its number of tine bars has been increased to six, while the use of narrower stripper loops allows the number of pickup tines to be increased to 132.

The combination of wide pickup, increased frequency of tine bars sweeping the swath and the greater number of tines on each tinebar makes the unit distinctly

more effective in dealing with heavy crops and bulky windows.

More suitable for travelling narrow lanes or through gateways is the lower cost machine, the 435. This has an effective pickup width of five inches and in this case four tine bars are used, each with 19 tines to give a total of 76.

Incorporated in the latest design is the transfer of the chain-drive to the cylinder from the left hand of the cylinder to the right, or outside position, which makes it more accessible for servicing in the case of a slipping clutch or malfunction.

Both balers will have their first major showing at the Royal Smithfield Show next month.

COMPUTING

VIP service in Europe

SENIOR management, particularly of companies which have a number of plants or centres in the EEC area, are being offered a "personal computing" service by IBM, which is as far removed from what are now called personal computers as one could possibly get.

It allows managerial staff of companies with subsidiaries in various European countries to consolidate basic financial and industrial data, primarily at Zoetermeer in Holland, and use it from terminals in their respective organisations as an input to

various methods of manipulating such data for planning and other purposes.

A successor to Call 360, the service presupposes that the relevant company is already participating in the VSPC arrangements with IBM. It will work with PL/I, Fortran and APL and is fully protected with several levels of security—user identification, password entry to databases and program routines, etc.

Further from IBM at 101 Wigmore Street, London W1H 0AB. 01-4935 6600.

INSTRUMENTS

Easy check on heat use

MADE IN Denmark, instruments for the direct measurement of heat consumed by individual premises or householders in cases where hot water is supplied direct from a central boiler are offered in the UK by Grand-glen, P.O. Box 3, 173 High Street, Dorking, Surrey RH4 1QQ (0306 3214).

The equipment can be supplied in a number of forms, but in its most compact consists of a single unit mounted direct to a pipe in which the water is flowing. Mounted in the pipe behind the meter is a turbine flow meter with magnetic transmission to a sensor in the integrator box. Also fed to this box are temperature readings from heat input and heat output pipes, yielding the differential temperature and, after integration, the heat flow which is clocked up on a counter and can be calibrated in gigajoules, gigacalories, or megawatt-hours.

The unit can be powered by a lithium battery giving a recording life of five years, and the turbine unit is of the sealed throw-away type. Installation can be in any attitude.

The company says that the meter complies with the requirements of the National Consumer Council.

METALWORKING

E. German forging press

AMONG THE latest offerings from the East German machine tool industry is a 1600-ton forging mechanical crank press designed for use with automatic transfer equipment for high volume production. It is being marketed in the UK by Ertur Machinery.

Rigidity and stability are ensured by the monolithic construction of the press body, which is fabricated from castings and steel plates held by pre-stressed tie-rods.

The machine has a hydraulic device for releasing the press if it becomes jammed, automatic lubrication, and an in-built

thermostat which stops it if the temperature of the main bearing exceeds a predetermined maximum.

Ejection is fitted in both ram and bed, and "hold up" is also available. The ram and top die holder are counter-balanced by means of a compressed air reservoir.

The press is capable of 25 useable strokes per minute, and maximum stroke is 280 mm, ram areas is 900 mm by 1050 mm, and bed size is 1120 mm by 1250 mm. Full details are available from Ertur at Dore House Industrial Estate, Orgreave Close, Sheffield S13 9NP (0742 897341).

Italian milling machine

A UNIVERSAL bed-type milling machine from Italy with recirculating ball screws fitted as standard is known as the Rovolta FFB 14, and is available in the UK from E. J. Jones, the standard machine division of Kearney and Trecker Marvis of Brighton.

The machine can be supplied with a 15hp or 20hp horizontal spindle which is carried on a side-mounted headstock on the column.

With an ISO 50-spindle taper, the unit permits milling operations to be carried out vertically, or at any compound angle. Alternatively, the head can be removed for horizontal milling,

either with a facing cutter mounted directly on the spindle or by using an arbour and supports in conjunction with an overarm mounted on top of the headstock.

Eighteen spindle speeds are available for the 20 hp head: the range is 30-1500 rpm; 22 to 1110 rpm for the 15 hp head.

The table has 1300 mm of longitudinal traverse with 700 mm cross and 550 mm vertical. Feed rates on all axes are infinitely variable in the range 5 to 1000 mm per minute. Rapid traverse rate is 2000 mm per minute and power is supplied by independent 4.7 hp dc motor.

PROCESSES

Cleans with Portable protection cold water

ALTHOUGH THE "wash box" (small high pressure water jetting system) is popularly used in garages and smaller industrial situations, it is not powerful enough for more strenuous cleaning jobs. Users, however, cannot justify the need for the giant systems used in stone-cleaning operations for huge buildings, etc.

A middle of the road product, intended to bridge the gap between the wash box and large systems, has now been introduced by Harben Systems, Watt Road, Churchfields, Salisbury, Wiltshire (0722 25424).

This comes with water break tank, flow control valve, pressure gauge, a range of standard equipment including high pressure hose, safety gun, drain and pipe jets, etc., and has the company's pump at its heart.

Unlike the wash box which may have to use hot water in order to cope with tougher cleaning tasks, this operates with cold water and is powered by a Petters AC2 air-cooled diesel engine, producing six gallons a minute at 2,400 psi.

It is suggested for use by industrial, agricultural and stone-cleaning contractors, and civil and structural engineers for on-site cleaning. It can also handle light-duty drain cleaning operations, says the company.

Portable protection

DESIGNED by Photain Controls is a device that can be used for the temporary protection of valuable items that might be in a room for say, only one night.

The detector, in a rugged steel "attache" case, can be placed in the area to be protected and switched on by a remote key switch. Then, anyone entering the area is immediately detected by the ultrasonic "radar" action of the device which in turn triggers off a very loud electronic siren.

The alarm lasts for five minutes after which the unit will reset itself—but if the intruder

is still present it will then go on for another five minutes.

Operable from a rechargeable 2.5 Ah battery or from the main supply, the unit can be connected to other kinds of sensor and can also set off remote alarms if required.

The equipment, which is fully operational within a few minutes of unpacking, can also be used in a more permanent but "variable location" mode. Its position can be changed night to night to prevent criminals from "casing the joint". More from the distributors, Leeson Alarms, Winsley Street, London W1N 7AP (01-580 2333).

Stops crane collisions

A RADAR-BASED anti-collision device intended for use with overhead travelling cranes has been put on the market by Herbert Morris of Loughborough.

Simplicity of installation is the important aspect of the equipment; there is only one "black box" to fit to the crane, and it does not need accurate positioning. Once fitted, the device is then set for stopping distance by a simple screwdriver adjustment. It is completely self-contained and enclosed and so is not affected by heat, humidity, dirt, fumes, light or any other radio signals. Fitting by a com-

petent electrician takes about four hours.

A useful design feature is that, by virtue of the Doppler principles used, a crane approaching an obstruction at high speed will be stopped, giving the set distance, giving additional safety.

Once the crane has been stopped the system is automatically re-set, allowing the operator to inch forward for a close approach to the obstruction if necessary.

More from the company at P.O. Box 7, North Road, Loughborough, Leicestershire (0509 63122).

Fast.

The choice is yours. An Alfetta GT or GTS with a top speed of 112 mph. Or their even more powerful stablemates, the 122 mph Alfetta GTV and GTV Strada. Both share the same stunning low drag body. And boast smooth unstressed twin cam engines (of 1.6 litres in the GT and GTS, and 2 litres in the GTV and Strada).

A rear mounted 5 speed gearbox and unique Alfa suspension deliver perfect balance and stability with a silken ride. Making each supremely safe around snaking country lanes.



Building and Civil Engineering

£10m French Kier awards

CONTRACTS WORTH over £10m have been awarded to French Kier Group companies.

For French Kier Construction there are contracts from Snamprogetti main contractor, for the fluid catalytic cracking unit under construction for Pembroke Cracking Company (£1.5m) for the design and construction of buildings; from the London Borough of Southwark (£751,291) for phase 1 of the Surrey Docks distributor road, and from Harlow Development Corporation (£327,587) for an office complex for IIT Components Group at Edinborough Way.

Kier International's latest contract is worth £2.2m and has been awarded by the Abu Dhabi National Oil Company.

This contract includes the construction of process plant foundations, the fabrication and installation of underground pipework and the erection of steel pipe racks. International Bechtel Incorporated is the main contractor.

Robert Marriott has received two contracts worth over £4m. One (£1.2m), is for a single-storey factory unit at the Blacklands Employment Area, Milton Keynes for Milton Keynes Development Corporation and the other also for the Development Corporation, is Heolands 3.1, a housing estate at North Milton Keynes. This contract is for 221 two-storey dwellings.

Charles Bland and Son has received a contract from the Department of the Environment (£344,107) for a new sludge steamer wharf at Herdman Channel Road, Belfast Harbour East and Kier has received a £337,357 contract from West Sussex County Council for stage one of the A23 Bramber-Styaling bypass.

Kier (RBW) has been awarded two contracts. One, worth £204,112, is for the redeployment of eight houses and 41 flats at Waterloo Place, Lewes, Sussex, for the Lewes District Council and the other worth £236,218, is for the construction of 26 flats for the elderly at Cedar Gardens, Brighton, for the Sussex Housing Association for the Aged.

Good score for Norwest Holst

WORK FOR football clubs, totalling over £21m has been won by Norwest Holst.

Under a £1.93m contract for Wolverhampton Wanderers, the company will construct Molineux Stand Phase 1, to accommodate 9,126 spectators and include 42 private boxes together with bars and lounges. The steel canopy roof will be made and erected by George Depledge and the precast terrace units will be designed and supplied by F.C. Precast. Mather and Nutter are the architects.

Sewerage schemes

IMPROVED sewerage and sewage disposal facilities for the cities of Najaf and Kufa are planned as part of a £15m project designed by Leeds based consulting engineers Haiste and Partners for the Iraqi State Contracting Authority for water and sewerage projects.

Haiste are meantime engaged on design evaluation studies for improving the sewerage system of the city of Karbala at a projected cost of about £15m and have prepared tender documents for proposed work at Ramadi. Tender documents for schemes covering the cities of Hillia, Diwaniyah, Samawah and Kut are said to have now reached an advanced stage.

Housing and shopping centre

Harrods in London, refurbishing work worth at just under £17,000 at the Claydon Hotel, London. W.I. for Trust House Forte, and alterations and refurbishing for R. W. Weekes in Crowborough, Sussex, costing £13,500.

JOHN LAING CONSTRUCTION is modernising 80 pre-war homes for Newcastle upon Tyne City Council under a contract valued at £400,000.

The semi-detached houses are in Levington on the west side of the city and work has started with completion expected by October next year.

Work worth over £8m

North Wales by Cyngor Dosbarth Meirionnydd.

Consulting engineers are Lewis and Duvivier and work involves the construction of a 115-metre sea wall and apron and a 190-metre stepped breakwater, the formation of a causeway, water main and new groynes and excavation work.

Other coastal protection works upon which Taylor Woodrow and Lewis and Duvivier are already engaged include a £3m project at Minster, Isle of Sheppey for Swale District Council and a smaller scheme at Amroth, South Wales for South Pembrokeshire District Council.

Athletics facility in West Africa

A FULL international athletics facility for the Ministry of Social Welfare and Rural Development for the Republic of Sierra Leone at the National Stadium, Freetown, is to be built by En-tout-cas of Leicester.

The facility is to be surfaced with En-tout-cas Olympene and the contract is valued at £308,000.

Back in the U.K., En-tout-cas is to install a 400 metre all-weather synthetic athletics track at the H.M.S. Temeraire sports complex, Portsmouth. In addition the company is to surface all-weather hockey pitches with its Dripla material.

The contract, worth £125,128, has been placed by the Property Services Agency, and the main contractor is Waring's (Contractors).

Interior work

ORDERS for work in the UK worth nearly £320,000 have been gained by Wiltshire International Interior Contractors. Included is the fitting out (£61,000) of a new shop unit for Mothercare in Swindon and two contracts together worth £101,300 to fit out two units consisting of showrooms and office accommodation for Nationwide Building Society at Reading and Slough.

In Bedford the company is undertaking a £118,000 extension and refurbishing job at Debenham's store and the other smaller jobs include a £13,000 corner unit for Carlier in

Protecting the coast

TAYLOR WOODROW Construction has been awarded a £435,000 contract for an 18-month coastal protection project at Ynys-y-Brawd, Barmouth, Gwynedd, rooms with services.

£2 work to Jarvis

CONTRACTS worth £2m involving a data processing centre, a bank, two factories and a laboratory have been awarded to Jarvis.

Modernisation and alterations of Easvian House, 181 High Holborn, London WC1, for the Property Service Agency will be provided by the data processing and service of the Post Office with a new training school. Training facilities and a new Post Office will also be provided for London Postal Region.

Also in central London, Jarvis is providing University College with new glass blowing workshops and layouts for laboratories for Edbro (Holdings).

£3¼m office block in Sheffield

W. J. SIMMS Sons and Cooke (Northern), of Nottingham, have been awarded a £3¼m contract to build a 120,000 sq. ft. office block in Sheffield for Trafalgar House Developments.

To be built on the site of the old Playhouse Theatre in Pinfold Street, the work entails the erection of a 10-storey block with a two-storey link podium, and is programmed for completion in two years.

A pre-cast concrete frame will form the basic structural element with pre-cast floors and roofs and specially manufactured brick-faced spandrel cladding panels. A moulded plastic facade will be applied to the link block.

The remainder of the work will be in traditional construction, including a two-storey basement car park, plant and lift motor rooms on the roof, and ancillary services. Architects are Ferrie and Hall.

Tesco store extensions

TESCO HAS awarded Bovis Construction two building contracts, together valued at about £1m.

At Hitchin, Herts., the existing Home'n'Wear store at Winton, store, which occupies a listed building, is to be refurbished £500,000 this will provide some and extended at a cost of £500,000 by demolishing an sales area at ground floor level.

The other contract is for refurbishing and extending the Tesco Home'n'Wear store at Winton, Bournemouth. Valued at about £500,000 this will provide some and extended at a cost of £500,000 by demolishing an sales area at ground floor level.

Supermarket and housing

TWO CONTRACTS, each worth over £1m, have been awarded to George Wimpey.

For J. Sainsbury, the company is to build a supermarket at Kingsbury, London. NWR, the supermarket will be on two in November.

levels with seven flats at both second and third floor levels.

In Scotland, Wimpey is to build 95 single and two-storey dwellings at Lower Methil, Fife, for the Scottish Special Housing Association. Work is due to start in November.

Quality of plastics

GUIDANCE NOTES aimed at raising the standard and quality of glass reinforced plastics cladding in building are being prepared by the newly formed National GRP Cladding Federation (NGCF). First drafts have already been completed on four main subjects: design tolerances; storage, handling and protection; handling and fixing on site, and model procedures for tendering.

These drafts will be further developed in collaboration with specialist departments of the National Federation of Building Trades Employers (to which the Cladding Federation is affiliated), with a view to their acceptance by the building industry generally and to their forming a basis for possible future British Standards.

The NGCF is open to firms concerned with the supply, manufacture or fixing of GRP cladding. Associate membership is open to architects, consulting engineers and other professions operating in the field, as well as to manufacturers of such related products.

ducts as sealants and resins. Mr. P. J. H. Telling (Brosnan Plastics) has been elected chairman and Mr. M. Hinde (Anmac), vice-chairman.

Inquiries should be made to Mr. K. M. Williams, Secretary, NGCF, 52 New Cavendish Street, W1M 8AD, 01-637 4771.

£1m awards to Moss

WILLIAM MOSS (Construction) has been awarded two contracts totalling more than £1.1m.

The largest worth over £700,000 and due for completion by the end of 1979, is a warehouse for T. W. Kempton, of Leicester. The other, worth some £400,000, is for the rebuilding of Richard Roberts (Holdings) dye-works, previously destroyed by fire, in Loughborough.

ESPLEY-TYAS CONSTRUCTION GROUP

P.O. Box No. 6, Park Hall, Salford Priors, Evesham, Worcestershire
Tel. Bidford-on-Avon 3721 (20 lines)
STD (078 988) 3721

Fertiliser store

DESIGN AND construction of a bulk store capable of accommodating 24,000 tons of fertiliser at Ince, Cheshire, is to be undertaken by Land and Marine Construction, a member of the Royal Bos Kallis Westminster Group NV. Valued at £2m, the contract forms part of UKF Fertilisers' phase II development at this plant.

It is stated that UKF Fertilisers has indicated that Land and Marine Construction will be the preferred sub-contractor for the civil works associated with the remainder of the phase II developments. This work is valued at about £1.

Quieter piling

THE FIRST licence to operate a system which can reduce the noise of steel sheet piling, by 19dB(A), has been granted by the National Research Development Corporation to Mears Construction.

Called Mears Muffler, the system has been developed under a Building Research Establishment programme for use in steel sheet piling work in conjunction with double-acting air hammers. Its special virtue is that it allows a panel of several piles to be driven within an acoustic enclosure while preserving the normal pattern of sheet piling operations. This is achieved by employing a pair of acoustic shrouds which act in combination.

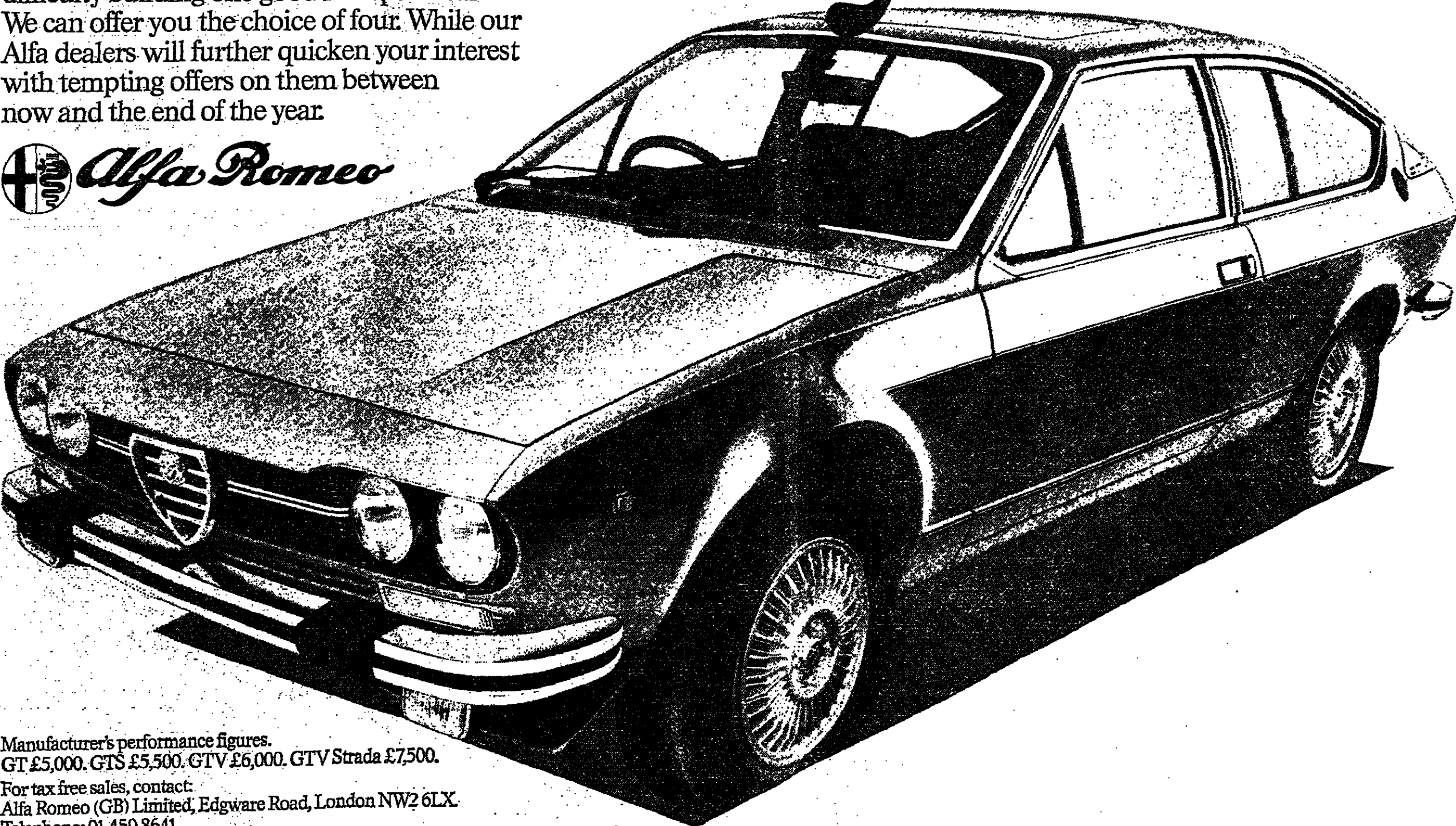
The piles are pitched between a pair of conventional cages which have first been surrounded by a horizontal acoustic enclosure. A second, vertical shroud, which can both telescope and travel sideways, is then lowered on to the first enclosure. This permits each pile in the panel to be driven in turn first down to the level of the gate, then down to the required height above ground.

IN BRIEF

- Largest among £300,000-worth of glazing contracts awarded to James Clark and Eaton is one worth over £50,000 for the magistrates court at Plymouth.
- A £100,000 order for asbestos-cement corrugated cladding sheets has been placed with TAC Construction Materials by Aktieselskapet Tonsberg Jernindustri for use on five harbour sheds in Sharjah in the Middle East.
- United Kingdom Construction and Engineering Company has been appointed mechanical contractor for the modernisation and extension programme at BTP Tioxide's Greattham Works, Teesside. The contract, worth over £1m, was awarded by Humphreys and Glasgow as managing agent for the overall project.
- Lesser Building Systems (Export) of Verwood, Dorset, has won a £150,000 contract for the supply of accommodation to Nigeria from Reamstan, a UK based import/export agency.
- S. Wernick and Sons has obtained orders worth over £130,000 for its Skidplan re-locatable timber-framed buildings from Cheshire County Council. The London Borough of Hounslow, Britannia Building Society and Round Oak Steel Works.
- Latest contracts awarded to Stanley Miller range from the building of a working men's club (£132,000) and the modernisation of 70 houses in Jedburgh (£504,500), to refurbishment work at Berwick upon Tweed (£1.1m) and Wallsend (£240,500).

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INSUD operates exclusively to promote new enterprises, providing qualified Italian and foreign companies ("the technical partner") with 50% of the risk capital to set up new factories. The essential requisite for INSUD participation in a new initiative — besides, naturally, that of being located in the South and being in line with the priority directives set down by the government's Five-Year Plan — is its technical-economic viability, which INSUD verifies after a short examination.

INSUD and the technical partner form a joint venture (with equal participation), to which INSUD gives all the assistance necessary for the selection and purchase of the land and for contacts with the financing institutions and the Cassa per il Mezzogiorno, in order to obtain sunk capitals and low-interest rate loans. In addition, INSUD promotes personnel training courses, financed directly by the European Social Fund, takes care of finding middle-level executives and assures a modern administrative organization.

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bility, afterwards, of assuming full control of the enterprise at the right moment, has attracted large new investments to this area. Among INSUD's past or present Italian partners are: AVIR, Elettromeccanica, Fiat, Fimit, Italcementi, Ivi, Mondial Piston, Morando, Nardi, Rivoira, Sme, Sna, Viscosa, Pirelli, Vanossi, Volani, Wierer; among foreign partners: Computer Transmission Corp., Pennwalt, Union Carbide (USA), Curicini, Cantoni Coats (UK), Schwarzenbach (Switzerland), Osram (Germany), Jaeger and Fremo (France).

COMPANIES WITH PLANTS IN OPERATION — PARTICIPATION ALREADY SOLD

ALCE: Electric equipment - Pomezia. AJINOMOTO-INSUD: Sodium glutamate - Manfredonia. ALCO: Canned foodstuffs - Bari. CEMENTERIE CALABRO LUCANE: Cement - Castrovillari/Matera. ELETTROGRAFITE MERIDIONALE: Black lead electrodes - Caserta. FERRO SUD: Railway equipment - Matera. F.LATURA DI FOGGIA: Sewing threads - Ascoli Satriano. FIMIT

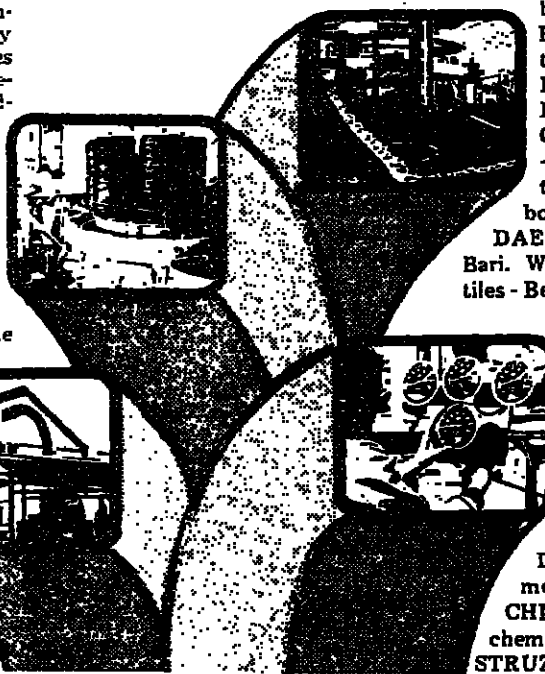
SUD: Soundproof materials - Fagnano Magliore. FRIGO-DAUNIA: Frozen foodstuffs - Foggia/Val di Sangro. ILVED: Mirrors and special glasses - San Salvo. ITALIANA JAEGER SUD: Car panel instruments - Avellino. ITALSIL: Industrial sand - Melfi. IVISUD: Paints - Casano. LA IRPINIA: Canned meat - Avellino. MANIFATTURA DI RIETI: Dyeing and finishing - Rieti. MERIDIONALE CAVI: Power cables - Giovinazzo. RIVOIRA SUD: Industrial gas - San Salvo. SAMM: Moulds and precision tools - Avellino. SCHWARZENBACH SUD ITALIA: Textiles - Rieti. SMAE: Elastomers - Battipaglia. TERMO-SUD: Thermomechanical constructions - Gioia del Colle. VI-ME: Hollow glass - Bari.

PORTFOLIO COMPANIES WITH PLANTS IN OPERATION

BREDA NARDI: Helicopters - Porto d'Ascoli. CELLULOSA CALABRA: Paper pulp - Crotone. FRENDO SUD: Brake plates - Avellino. GOMMAFER: Conveyor belts - Ferrandina. MONDIAL PISTON SUD: Pistons for motor vehicles - Potenza. NUOVA ELETTROMECCANICA SUD: Electric terminals - Villa S. Giovanni. OSRAM SUD: Bulbs - Bari. O.T.B. Officine Termotecniche Breda: House-hold boilers and burners - Bari. RA-DAELLI SUD: Air compressors - Bari. WIERER CAMPANIA: Cement tiles - Benevento.

PORTFOLIO COMPANIES WITH PLANTS UNDER CONSTRUCTION

CORAL INDUSTRIE: Devices for the improvement of industrial premises - Salerno. DIGITAL NETWORK ENGINEERING: Digital transmission instruments - Cosenza. INDUSTRIA CHIMICA DI TERMOILI: Fine chemistry - Termoli. PELIGNA COSTRUZIONI MECCANICHE: Plastic moulding machines - Sulmona. SARC: Commercial centre - Reggio Calabria. VANOSSI SUD: Electric equipment - Rieti. VOLANI SUD: Metal prefabs - Isernia.



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APPOINTMENTS

Divisional manager change at National Westminster

Mr. Cyril Townsend will become general manager of the management services division of NATIONAL WESTMINSTER BANK from December 31, when Mr. F. W. Gibson will be retiring. Mr. Townsend has been deputy general manager of related banking services division since February 1977.

Mr. C. A. Clarke has been appointed a director of ARBUTHNOT LATHAM AND COMPANY.

J. LYONS AND COMPANY states that following the successful offer for its shares by Allied Breweries, Mr. A. E. Bide, Sir Alec Ogilvie and Sir Alex Page have resigned as non-executive directors of Lyons.

Mr. P. L. Blackstone is to leave the Board of YARROW AND COMPANY in December on his retirement. Mr. J. Neumann joins the Board on November 1, and will continue as managing director of YARD, the principal subsidiary. Mr. R. F. Rimmer will become deputy managing director of YARD at the beginning of next month.

ESCHMANN BROTHERS and WALSH, a member of the Glaxo Group, have formed an operating theatre division to be headed by Mr. Peter Place and based at Lancing, Sussex.

Mr. Michael T. Mouch, assistant vice president, has been appointed chief foreign exchange officer at the BANK OF NEW YORK. He succeeds Mr. Albert Sansivero, vice president, who has been ill and will not be returning to the foreign exchange department. Mr. Mouch joined the bank in 1967 as a foreign exchange trader at the London branch and has been a senior dealer at the main office in New York since 1977.

PHILLIPS PETROLEUM COMPANY has elected Mr. Paul W. Tucker as vice president of the gas and gas liquids division in the company's natural resources group. Formerly manager of international gas and gas liquids, Mr. Tucker succeeds Mr. C. J. Silas, who has been elected senior vice president, natural resources group.

Mr. Peter S. King, banking manager Dow Banking Corporation London branch, has been appointed managing director of DOW FINANCE CORPORATION, Hong Kong, a new subsidiary of the Dow Chemical Company. Mr. S. James Baxter formerly Scandinavian representative, Dow Banking Corporation, is the new banking manager in London.

Mr. D. C. A. Magrath has been appointed unit trust manager of CRAIGMOUNT UNIT TRUST MANAGERS from November 1.

Mr. Ralph Rosen, chief dealer at the London branch of NORTH CAROLINA NATIONAL BANK,

has been appointed a vice president. Mr. David Friend, who is a director of Carolina Leasing, has also been appointed a vice president of NCNB.

Following the disposal by Reynolds Metals Company of their shareholding interests in the BRITISH ALUMINIUM COMPANY, Mr. D. P. Reynolds, Mr. J. L. Reynolds and Mr. A. D. Reynolds have resigned as directors of B.A.

Mr. D. Gay, at present with Common Brothers, is to join ENERGY SHIPPING as a director from January 1, 1979. From that date, in addition to its position as a broker for Vitrol and others, Energy Shipping will become responsible for the chartering of the Common Brothers tankers.

Mr. Ralph Deane, previously director of DAVENPORT VERNON HOLDINGS, has been appointed chairman and managing director. Mr. John A. Deane has been made deputy chairman and deputy managing director. Mr. A. S. Franklin Hole has retired as secretary and financial director but remains on the Board as a non-executive director. Mr. Alan S. Laxford has become a director and continues as managing director of two of the group's subsidiaries. Mr. Donald J. Baker has been made secretary and financial director of Davenport Vernon and Co.

Mr. Michael Pittfield has joined the INSTITUTE OF PERSONNEL MANAGEMENT in the newly created position of assistant director (membership and education). Mr. Pittfield was previously a lecturer at Slough College of Higher Education.

Mr. Peter Gymer, previously managing director of OSMOND AEROSOLS, has been appointed group managing director and becomes non-executive chairman. Mr. Peter Holmes, formerly sales director and Mr. John Paul, works director, have been named joint managing directors. Mr. Walter Jewitt, who was sales administrator, becomes commercial director and Mr. Rod Turpin, the company's chief chemist, has been made technical director. Osmond Aerosols is a member of the Talbot group.

Mr. Richard B. Geraghty has been elected vice-president and resident manager of the London office of SOUTHEAST FIRST NATIONAL BANK OF MIAMI as its European representative.

Mr. Alan Splink has been appointed a director of SAMPLE SURVEYS. He was previously with the Save and Prosper Group.

Mr. George Procter has been appointed head of UK operations by THYSSEN, of Germany.

Mr. John Leaney has been appointed a director of JAM MUNGLE. He will be involved

in the company's promotion of consulting to engineers and contractors. PERCY FOX AND CO. has appointed Mr. John Sandler as its London agency executive. He will promote sales of Lanson on the UK market, in close liaison with their principals, Champagne Lanson pere et fils in Reims.

Mr. James Walsh has been appointed managing director of CERAMIQUE INTERNATIONALE, the Bradford based ceramic tile importer and distributor of the UK market. Previously he was marketing controller of the Music Hire Group.

Mr. Agustín Gonzalez has become general manager in the UK and Ireland for IBERIA international airlines of Spain. He succeeds Mr. Mariano Salinas, who is returning to Madrid to take up a new appointment at head office. Mr. Gonzalez has worked in London office in the past. He makes his return to the UK and Ireland from his previous postings in Scandinavia and most recently as general manager in Geneva.

Mr. M. F. Harvey, managing director of Woodberry Chilcott and Co., has been elected president of the ASSOCIATION OF ENGINEERING DISTRIBUTORS. He had previously held office as first vice-president and also honorary treasurer of the association.

Mr. D. McKintay has been appointed senior principal surveyor for the machinery design appraisal and approval department of LLOYD'S REGISTER OF SHIPPING. He will succeed Mr. C. Dearden, who retires on November 3. Mr. C. Archer has been made senior principal surveyor of the technical investigation and advanced engineering section of the research and technical advisory services department in succession to Mr. McKintay. Mr. F. Koss has become principal surveyor for technical investigation within RATAS department, replacing Mr. Archer.

The Board of HARTLEY COOPER LIFE AND PENSIONS BROKERS has been re-constituted and now consists of Mr. P. A. de Pina (chairman), Mr. M. J. Hunt (managing director), Mr. K. A. J. Francis, Mr. J. M. Niblett and Mr. J. H. Miller.

EXCESS INSURANCE GROUP states that Mr. William Griffiths has been appointed vice president and deputy managing director of its affiliate Abbey International in Bermuda, and will be leaving Excess in take up his new position in November. He will become president on the retirement of Mr. Neil Coates next year. Mr. Brewster Righter will also be leaving the Excess to be vice president and treasurer with Abbey International in Bermuda.

The following additional man-

agement changes have been made. Mr. Ian Dean as director of general underwriting, having responsibility for treaty reinsurance agency underwriting, North American property and liability marine and aviation. His present position as treaty line of business manager will be taken over by Mr. Bruce Crowder, who will be joining Excess Insurance Group.

Mr. Rex Barberis, in addition to his post as director of home overseas operations, is now responsible for the accident department in London, encompassing contractors all-risk, foreign casualty and bonds. Mr. Jeff St. George continues to be responsible for that department, but will report to Mr. Barberis. Mr. Garland, manager of the foreign property in London will also be reporting to Mr. Barberis. Mr. Barberis will have functional responsibility for reinsurance, marine and aviation, in the European group, including associate companies in Geneva and Holland.

Joseph Cartwright, chairman of Hayward and Wooster, are amalgamated and trade under the name of HAYWARD WOOSTER. The Board of the company will comprise John M. Fisher (chairman and managing director), Mr. Arthur C. Allen (assistant managing director), Mr. John L. Mitchell and Mr. David Mould. Mr. Ken Sharp will be local director. Mr. David J. O'Neil has become a director of DAVENPORT VERNON AND DAVENPORT member company.

Mr. Brian Burke has been appointed group director of insurance of COMPAIR. He was previously with the Massey-Ferguson Group. Mr. H. Barrett, having reached retirement age, has relinquished position as financial director of HARTWELLS GROUP but remains on the Board in a consultancy capacity. Mr. J. C. Barrett, financial director, has been appointed financial director.

The Secretary for Employees has appointed Mr. Frank Metcalfe as chairman of the SHIPBUILDING INDUSTRY TRAINING BOARD from November 19. He will succeed Mr. F. James Fielding, who has been chairman of the Board for the past eight years. Mr. Metcalfe was until recently director of the Engineering Industry Training Board.

Mr. Michael T. Wetson has joined CREATORS as sales director and Mr. Geoffrey J. Webb has become technical director. The parent concern is Plaxton International.

Mr. Ian Jay has resigned as non-executive director of REBROTHERS to devote all his time to his position as a managing director of Copca Merchants.



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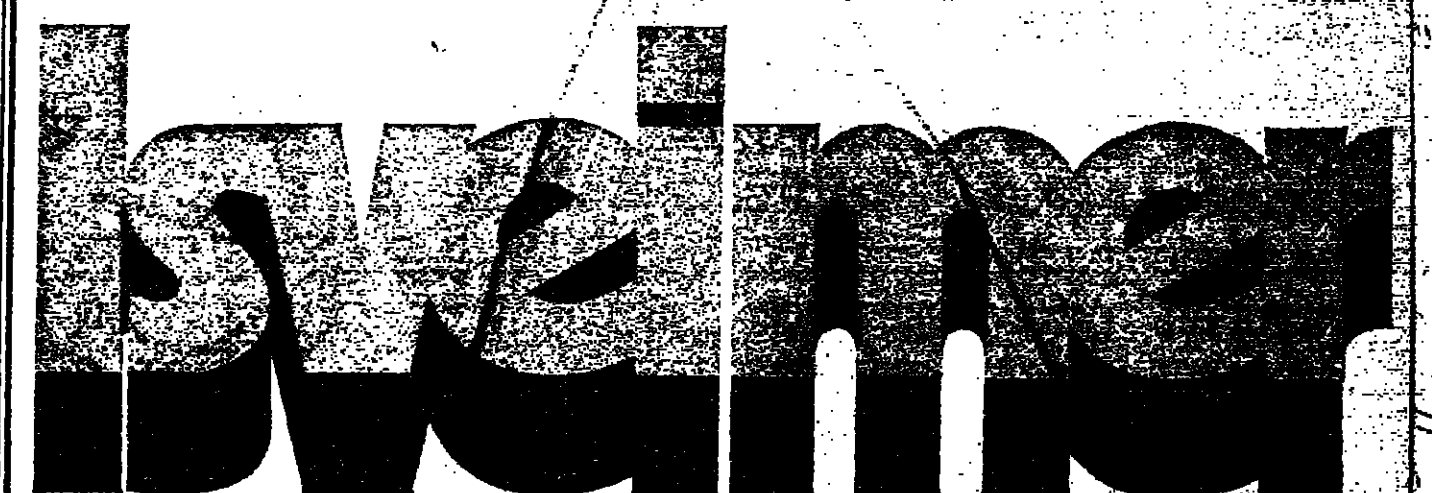
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THE 24th FINANCIAL YEAR

The meeting of the shareholders of the Isveimer Endowment Fund - Institute for the Economic Development of Southern Italy - has approved the balance sheet for the financial year 1977 which is summed up in the following figures:

| BALANCE SHEET AS AT 31st DECEMBER 1977 (Italian lire) | | | |
|---|-------------------|---|-------------------|
| ASSETS | | LIABILITIES | |
| Available funds | 103.075.065.478 | Endowment fund, reserve fund and fund covering all risks | 318.028.786.383 |
| Loans and credits | 1.382.308.848.278 | Debtors' loans | 1.381.795.597.806 |
| Shareholdings | 3.600.000.026 | Advances by the Treasury, CASMEZ, medium-credit institution and BEI | 299.011.417.624 |
| Security investments | 348.579.547.344 | Reserve fund and sinking fund | 24.527.478.573 |
| Other entries | 200.087.734.082 | Other entries | 194.299.588.766 |
| | | Net profit | 16.199.978.180 |
| | 2.037.443.201.228 | | 2.037.443.201.228 |
| Obligations to third parties | 430.778.537.200 | Obligations to third parties | 430.778.537.200 |
| Suspense accounts | 379.312.859.425 | Suspense accounts | 379.312.859.425 |
| | 2.847.747.598.653 | | 2.847.747.598.653 |

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- Business financing.
- Operations on medium-term credit derived from export of merchandise or services and from execution of work abroad.
- Naval credit for construction, transformation of ships and purchase of craft already in service abroad.
- Tourist credit for hotel trade.

At market rates

- 15 year maximum loans for building, modernization or enlargements of industrial plants.
- Subsidies and 7 year maximum exchange discounts.
- 3 year cash credits.
- Discounts and advances by regular proxy on yearly instalments due from the State, the Districts, the Provinces, the Municipalities, the Unions and from other public bodies.
- Subscription of bond loans upon issue.
- Contingencies and advances on State bonds, securities, as well as discounts on ordinary Treasury bonds.
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PESCARA - Via Aquila, 10 - Tel. 298.153
BARI - C.so V. Emanuele, 20/A - Tel. 212.288
POTENZA - Via Principe, 118 - Tel. 20.991
CATANZARO - Via Pugliese, 4 - Tel. 61.228

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

"We wrote to some of the giants and some of the midgels in the business," says Henry Parten. "The quality of their response did not necessarily reflect their reputation in the industry."

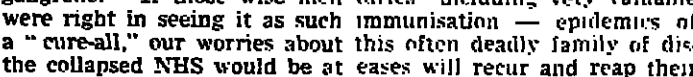
It was vital for the programming requirement on the part of the user to be minimal and, as an "open-shop" machine, it had to be capable of running completely unattended. "At the computer division," says Parten-

that was irrelevant to the business on hand, and they insisted on glorifying the benefits of COBOL or BASIC language capabilities of their products, when TRRL was interested solely in Fortran.

It handled the largest capacity program with ease and its response time remained within seconds, even when six other users were plugged in. Furthermore, the price turned out to be the lowest of the six being offered. It was an American

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NIXBAT COMPUTER

1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

1000

12
LOMBARD

Callaghan and the EEC snake

BY SAMUEL BRITTAN

IN A recent article I gave odds of two or three-to-one in favour of the UK joining the European Monetary System, popularly known as the supersnake. As a matter of reporting, it must be said that there are those close to the Prime Minister who would give exactly opposite odds, that is two or three-to-one against.

The greatest reservations about the scheme are being expressed by those most concerned with the internal political consequences in the run-up to an election. Rather than continue the guessing game with another set of odds I shall set out the factors on which the decision is likely to depend and end up with a proposal of my own.

Loyalty

If this were all, I suspect the problem could be handled. There is a premium on loyalty before an election even among Labour backbenchers, and pro-EEC sentiments among the solid centre of the Conservative benches would probably get the better of doubts on the economic theory of the snake.

A much more important political deterrent is that a devaluation just before an election would be regarded as unpopular. And could the UK enter the EEC snake without a devaluation, unless the foreign exchange market anticipated matters by depreciating sterling in the last few weeks of freedom before January 1?

The most important point of all is that the member of the electorate who most fully shares the popular antipathy to devaluation is Mr. Callaghan himself. This clearly has its roots in the humiliation he suffered as Chancellor when devaluation was forced upon him in 1967.

But the Prime Minister now sees the matter in wider terms. His political mission in life, which has almost struck terror into some of his associates, is to conquer inflation. Patriotic and political instinct are here indissolubly merged.

He is very well aware of the way in which the strength of sterling has helped to keep inflation in single figures, despite the avowed failure of Stage Three pay policy. He is also aware that the higher the rate for sterling on the foreign exchange market the less companies facing international competition can afford to pay in wage increases.

With the crumbling of the 5

per cent guidelines of Stage Four, even more importance will be attached to this constraint. In short, the course that is likely to lead to the highest level for the pound in the next months' time is likely to be one the Prime Minister favours.

Thus the main consideration that could decide the matter against the supersnake is fear of the depreciation it might bring.

The official negotiations which are centred around the absurdly overblown question of whether the parties are to be fixed against the basket or grid will give next to no information on such questions.

One dilemma is that the conditions on which British Ministers have placed most emphasis—such as continued freedom to change parties, simple credit, and a so-called bias towards growth—would all weaken the anti-inflationary impact of the scheme and increase the likelihood of sterling falling. The worst solution of all would be an attempt to maintain sterling inside the new snake on the basis of promises of German credits.

Reserves

There are still very keen recollections in Whitehall of the time in 1973 when Mr. Heath and Herr Brandt, then German Chancellor, announced after a dinner discussion that the German and British reserves would be pooled, only to discover after the event that no such scheme was possible.

In fact no amount of credit or even reserve pooling will long protect an exchange rate if there is a discrepancy in underlying inflation rates or other fundamental factors.

How then do we avoid a Hobson's choice, where either joining the snake or the interpretation put upon not joining would weaken sterling unnecessarily? It is not too soon to start drafting a statement in the best Treasury language saying that in view of outstanding problems about the operation of the new system the Government could not take an immediate decision to join, but hoped to do so eventually.

Immediate priority was the domestic anti-inflationary struggle, which was a pre-condition of membership. Policies were therefore being directed to maintaining the strength of sterling in the market, and to this end the monetary targets for the next 12 months were being reduced by 1 or 2 per cent.

Not ideal, but probably the best way to retrieve something after the messy way in which the European monetary question has been handled in London.

THE WEEK IN THE COURTS

Reducing the workload of the European Court

BY JUSTINIAN

AT THE meeting last week of the Ministers of Justice at Luxembourg the Lord Chancellor alluded to the workload of the European Court of Justice and tentatively proposed ways in which the jurisdiction and working of the court might be modified.

He was responding to the call from the president of the court who had recently drawn the attention of the member states to the fact that it was in danger of being swamped by the number of cases being referred to it by national courts.

Twelve years ago and three years after Britain's initial failure to gain entry into the Common Market, Lord Wilberforce, now the senior Law Lord, wrote that the European Court of Justice "continues to grow in stature: it is evidently one of the key creative organs" of the European Economic Community. If five years of British experience has not diminished the esteem in which the court is held, there is a distinct worry that an inability to cope with the volume of work might seriously detract from the quality of justice emanating from Luxembourg. That is why the proposals for reform deserve urgent consideration.

The Court's President made a simple proposal of an increase in the staff—an establishment of 12 judges instead of the present nine and an additional Advocate-General. But the ministerial reception to an increase in manpower was unenthusiastic. The mood of Ministers was very much more directed to looking at means of reducing the load on the judges. And the Lord Chancellor, while conceding that an exploration of the court's jurisdiction at greater leisure than could be given at a two-day meeting of Ministers, clearly thought that the approach should be one of channeling the important cases and sifting out the unimportant. To this end he put forward a suggestion that only appeal cases should be allowed to refer points of Community law to the European Court.

The present rule is that a court or tribunal below the national court of appeal may, but is not obliged, to refer questions of Community law that arise in national litigation where the point must be determined before the national court can properly give judgment.

Experience to date is that quite the largest number of requests for preliminary rulings in the European Court comes from courts of first instance, or at least from intermediate courts of appeal in England when the matter first came to the courts. Lord Denning sought to lay down certain "guidelines" in an apparent attempt to restrict the use of references in much the way envisaged by the Lord Chancellor. The attempt was marred by some confusion of thought about the law on the subject. What Lord Denning overlooked was the fact that, while a national court has a discretion whether to refer, that discretion must be exercised in the light of the purposes of the relevant Article in the Rome Treaty—Article 177. The European Court itself in 1974 had held that considerations of national law were irrelevant to the exercise of that discretion by the national judge. Thus Lord Denning's "guidelines" as a matter of law, possess no authority; and in practice they seem to have had little or no impact. Decisions to refer by lower courts have in fact disregarded the dicta from the Master of the Rolls.

Early ruling

Already a National Insurance Commissioner has made a reference, and the stipendiary magistrate at Marlborough Street Magistrates' Court made a reference in a case concerning a migrant worker who claimed that he could not be deported. And only this summer a judge at Bristol Crown Court made a reference in another case involving the freedom of movement of workers; it was a case where an Irish woman was given a discharge conditional on her returning to Ireland and not coming back to Britain.

There is a positive virtue in an early reference, rather than delaying it until the national litigation has scaled the ladder of the national court system. An early ruling on Community law—which only the Court at Luxembourg can give definitively—can give definite answers to the problems of Community law to be resolved rapidly in the preliminary stages of litigation and provides the European Court with the earliest opportunity of resolving doubts, not just for

the national court with its pending litigation but also for the courts of all member states.

There would be nothing worse than a postponement of an important Community law point until some litigant had a pocket long enough to take his case to the highest court in a member state before going off to Luxembourg to resolve a point that could have been disposed of conveniently before the costs of litigation had mounted, perhaps astronomically.

The Lord Chancellor's suggestion should be quietly buried. Where then lies the remedy to the burdensome and growing caseload of the European Court? The source of the remedy lies in the internal procedures of the court. Reform in this area would have the prime virtue of involving no amendment of the Treaty itself, and much more could be achieved than there is room for in the court's procedure without any loss of quality. One method would be to create separate chambers of a smaller number of judges for specialist subjects, or even to establish a new tribunal for special areas of law. The field of patent law is one such subject that might be treated in that way.

Another proposal would be to enhance the status of the Advocate-General, who at present advises the court by publishing a lengthy opinion. The Advocates-General are all of judicial quality, and their opinions are very often profound and professionally acceptable. They are, however, somewhat of a compromise between the opinions of the Advocates-General as if they were almost decisions of the court of first instance that are automatically reviewable by the court. Why not confirm that view by treating the Advocate-General's opinion as a judgment which could, but need not, be appealed to the court? The parties to the litigation, on seeing his opinion, might well be content to accept it as binding on them. In that event at least a few of the cases referred to Luxembourg could be filtered away from the more expensive process of a full-scale hearing before the court of nine judges.

GOLF BY BEN WRIGHT

Aoki v Owen in 600-1 world match-play final

THE MOST unlikely final of the Colgate world match-play championship will take place over 36 holes today when Simon Owen of New Zealand meets Isao Aoki of Japan, in the last stages of the year's protracted, dust-enshrouded event.

Joe Coral, the London bookmaker, had offered 600-to-one against this final pairing before the event started.

The sponsors have been just as unfortunate in their subsidiary event for first and second round losers. The three seeded players who were sent packing from the major tournament on Saturday were similarly evicted from the consolation match-play event yesterday.

In the semi-finals over 36 holes of the major tournament, Owen beat Graham Marsh (Australia), the defending champion, by two-and-one and Aoki beat the newly American Ray Floyd by three-and-two in a match of superlative quality.

In the quarter-finals of the subsidiary event the three seeded players were Tom Watson, who lost by four and three to the Andy Bean, Seve Ballesteros, (Ireland) and the Britisher Nick Faldo, sent packing at the final hole by Dale Hayes.

Floyd was five-under-par for the 16 holes of the afternoon round, and yet lost ground to the inscrutable Japanese, who was himself six under par for the final hole, but Aoki had 11 birdies in his last 23 holes

to destroy as fine a match player as Floyd who himself had five twos at the parthrees during the day. It was all magnificent stuff, unfortunately viewed at large with academic interest by a sparse crowd, frustrated at being deprived on Saturday of a home-bred hero to cheer.

Aoki was two up at lunch after a scrappy morning encounter. And then the fireworks began.

Floyd drew first blood at the first hole, where the Japanese dropped a shot to par for the second time on the day. The second hole was crucial—after Floyd had holed out for a two from five. The Japanese went two up again when Floyd dropped one of only two afternoon strokes to tie at three.

The eighth was brilliantly holed in birdies, Floyd following after Aoki had holed from twice that distance.

The Japanese dropped another stroke to par to lose the ninth, yet still managed to turn for home for the last time in 33 shots, and three up.

In the last seven holes of the match there were eight birdies between them.

The Japanese achieved his winning putt on the 16th hole, but Aoki had played the 12th scrappily

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RUGBY BY PETER ROBBINS

England cracks unfilled

ARGENTINA reached yet another historic milestone in their Rugby life by drawing which, to all intents and purposes, was a full national side, composed of some established players.

Looked on as a trial, it was a valuable exercise; regarded as an occasion for team unity, it was much less successful. There were three players, each with a glorious chance to secure a England place this year, the most important of which was the scrum-half. The fact is that there are about six players, all at the same level of mediocrity, including Gifford, who can take that place.

After a bright start, he was obsessed with running and passing, with the result that the blind side. Not only that, he also takes an age to wind up, so that vital yards are sacrificed. The first requirement of a scrum-half is a quick pass; length can come later.

For all that, Horton at fly-half is the one who has shown any originality, and his support off the ball was excellent. Bushell, the full-back, has kicked a lot of points this season, but contrived to miss five penalties. Matches these days are won by the boot rather than the hand. Caplan's attacking qualities will be vital, particularly as the centre play is so pedestrian. Warfield, now back after a serious injury, has tremendous physical presence, like Kent, but is much more erratic. Bond, also will press his claim, but the fluency, English team. Far from it.

Neither could he have foreseen the sheer lethargy of the England side. How fortunate, then, that England have had this match to make certain assumptions of some established players.

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BASEBALL BY JUREK MARTIN

Yankees' season and a half

IN A SENSE, Mr. Rupert Murdoch deserves a vote of thanks for having helped make this a memorable baseball season. Had he and the publishers of the New York Times and Daily News settled their differences with the New York print and journalists' unions early in August, the newspapers would have been able to devote acres of space to the enduring soap opera that is the New York Yankees and would have so disheartened that they would never have made their dramatic overhaul of the seemingly invincible Boston Red Sox—nor their current levelling of the World Series against Los Angeles Dodgers at 2-2, having been 0-2 down.

With no papers around to detail their loves, hates and rivalries, the Yankees had no alternative but to play baseball. The New York-Boston contest for the American League East title in the end dwarfed all else this summer—not that this was otherwise insignificant.

Pete Rose of the Cincinnati Reds, for example, the personification of hustle, put together a 44-game hitting streak, surpassed only by images of bygone days and Gaylord Perry, in his 40th year, was unquestionably the best pitcher in the National League.

Back in the American League East there were just Boston and the Yankees. More than half the year the Red Sox carried all before them: Jim Rice was simply the best power hitter in the game and was ably complemented by the ageless Yaz, strewn and peters who managed to yield fewer runs than Rice and company scored. Towards the end of July, the Sox stood 14 full games ahead of the bickering Yankees.

And how the Yankees bickered. Last year's troubles, it seemed, were a mere dress rehearsal for the grand event of 1978. Billy Martin, the manager, is a man whose knowledge of the game is unfortunately surpassed by his temper. He feuded with everybody with George Steinbrenner, the autocratic owner, and with his slugging superstar Reggie Jackson.

The denouement came in late July. Martin went (only, mysteriously, to be rehired for the 1980 season). More immediately, Steinbrenner turned the team over to a nice quiet gentleman called Bob Lemon whose only known interest is in letting his players get on with the game.

Shortly thereafter, the New York newspapers shut down. The Yankees surged and the Sox, hobbled by injuries and nerves, passed only by images of bygone days and Gaylord Perry, in his 40th year, was unquestionably the best pitcher in the National League.

pitched like he had in his glory days with Oakland earlier in the 1970s. With two weeks left, the Yankees swept past the Red Sox. But the Sox, to their credit, did not fold. With Rice matching Jackson belt for belt, the Beantown Bombers won the last eight games of the regular season. The Yanks did not quit either, but lost the last game to lowly Cleveland and thus fell into a tie.

The one-game decider was up in Boston's Fenway Park. Its short left field wall reputedly death to left-handed pitchers. And who should be pitching for the Yanks but the best left-hander in Baseball, Ron Guidry, the man who had won, astonishingly, 35 of his last 39 decisions over two seasons. Up for Boston was a spot when last year's World Series champion, the Yankees, were in the off-season by a diffident Martin.

The Yanks won 5-4. Guidry got the victory, though he has pitched better. Reggie Jackson got a home run, naturally, but the unlikely hero was the modest infielder, Bucky Dent, whose dream-run shot down New York's come-from-behind triumph.

In the play-offs, the Yankees knocked off Kansas City and the Dodgers predictably removed the Phillies from the stage for a re-match of last year's World Series which Yankees won.

The trouble is that Rupert Murdoch is publishing again.

RACING BY DOMINIC WIGAN

Newmarket raiders can conquer

NEWMARKET trainers, who have been enjoying a particularly good time at Pontefract this season, again look set to dominate on the south Yorkshire course today.

In order of appearance, Spanish Philip, St. Theresa, Mai Puss, and Haven Bridge, could well be treated here with 7 at 8. St. Theresa, almost certainly a better Billy than she appears on the book, looks set to follow up over a furlong longer trip.

Another race which looks set to fall to the south, though not to a Newmarket trainer, is the St. Chad filly who, surprisingly, minor nursery in which Peter failed to win in four attempts

as a juvenile, in spite of showing notable potential on her first two appearances, finally got off the market at 4yr last month. There, the rather lightly made Newmarket three-year-old found no difficulty in disposing of

Safety Measure over seven furlongs. Well treated here with 7 at 8. St. Theresa, almost certainly a better Billy than she appears on the book, looks set to follow up over a furlong longer trip.

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Rectitude. A head second in the Avening when showing much improved form over seven furlongs at Cheltenham in August, this grey daughter of Runny-mead again occupied the runner-up spot when failing to catch Ribbon Dancer at Sandown last month. She too should have few problems in the one mile minor nursery.

PONTEFRACHT
2.15—Cousin Ribby
2.45—Spanish Philip
3.15—St. Theresa
3.45—Mai Puss
4.15—Recluse
4.45—Haven Bridge

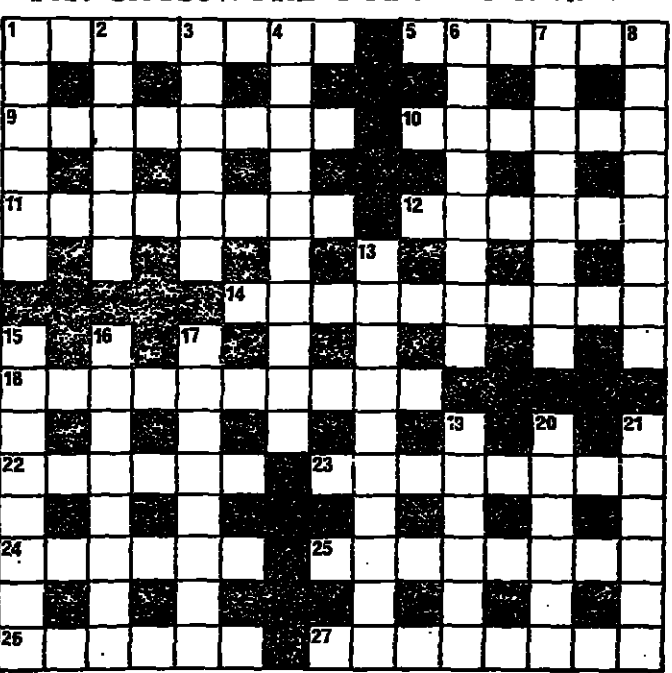
TV/Radio

† indicates programme in black and white

BBC 1

9.25 am For Schools, Colleges.
10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 The Plumpies. 2.01 For Schools, Colleges. 2.15 Songs of Praise. 2.33 Regional News. For England (except London). 3.55 Play School. 4.20 The Mole and the Bulldozer. 4.55 Jackanory. 4.40 C.B. Bears. 5.00 John Craven's Newsround. 5.10 Blue Peter. 5.40 News. 5.50 Nationwide. 6.20 Nationwide. 6.45 Dad's Army. 7.20 Tycoon.

F.T. CROSSWORD PUZZLE No. 3797



ACROSS

- Where a pterrot goes for a change (8)
- Surprise title is capital down under (6)
- Left the U.A.R. harbour, it sounds (4, 4)
- Is there more precipitation in weather conditions in Germany? (6)
- De trop or en route? (2, 3, 3)
- Rack, we hear, for Gilbert and the Albert (6)
- Impromptu—something up one's sleeve (3, 3, 4)
- Final effort from a Highlander (1, 4, 5)
- Short story to glib cat (6)
- The hag Ted embraced jerked (8)
- It takes a Russian for a ride (6)
- Old fellows with money are deceivers (8)
- Mounted corollaries (6)
- Fools get in to find the murderer (8)

DOWN

- A small jar spells depression for fatalities (6)
- Mistakes a rodent in time (6)
- An—may be crossed in love" (Sheridan) (6)
- A single line in a dusky record (6)
- A fine writer looked at in astonishment (4, 4)
- Clearly opposed to reason, but he wooed Penelope (8)
- One way indicated has government approval (4, 4)
- One obstruction in the streets offers stubborn resistance (5, 5)
- Beat the saint in Wales (8)
- The girl friend of Narcissus always had it (4, 4)
- He makes a dash, but is not geared for it (8)
- Workers a Scottish island supplies (6)
- Applaud acknowledges the drink (8)
- Inventory upset at the end of the game (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands Today (Birmingham). Points West (Bristol). South Today (Southampton). Spotlight South West (Plymouth).

BBC 2

10.05 am The Role of the Nurse. 10.30 Get Organised—For Safety's Sake! 11.00 Play School (as BBC1 5.55 pm). 2.15 pm Let's Go. 2.30 Roads to Conflict. 3.00 Knitting Fashion. 3.30 Making News. 4.00 The Object of the Exercise. 5.20 Open University. 7.00 News on 2 Headlines with sub-titles. 7.45 World Chess Championship Report. 7.50 News on 2. 7.55 One Man and His Dog. 8.05 Head Name (Canadian cartoon). 8.10 The Connor Tonight. 9.00 Premiers 2. 9.20 Discoveries. 10.20 Word for Word. 10.50 The Price of Freedom. 11.05 Little Misses on 2. 11.20 Open Door. 11.50 (Closedown readings).

LONDON

12.00 am School Programmes. 12.00 Pips. 12.30 The Embassy. 1.00 News plus 2 Index. 1.20 Times News. 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee. 2.30 The Mole and the Bulldozer. 2.45 David Hamilton. 2.55 The Tomorrow People. 3.15 Mr. and Mrs. 3.45 News. 4.00 Times at 6. 4.25 Help. 4.35 Crossroads. 7.00 Cooper—Just Like That! 7.20 The Roving Elms. 8.00 Robin Hood. 8.30 World in Action. 9.00 Sandbaggers.

RADIO 1

(5) Stereophonic broadcast. 5.00 am As Radio 2. 7.02 Paul Barnett. 9.00 Simon Baker. 11.35 Peter Powell. 12.00 Tony Blackburn. 1.45 John Peel. 1.50. 12.00-2.00 am As Radio 2.

RADIO 2

1.00 am News Summary. 3.02 Tony Blackburn. 5.15 including 6.15 Pips for Thought. 7.30 News. 8.00 including 8.05 Pips. 8.10. 8.15. 8.20. 8.25. 8.30. 8.35. 8.40. 8.45. 8.50. 8.55. 9.00. 9.05. 9.10. 9.15. 9.20. 9.25. 9.30. 9.35. 9.40. 9.45. 9.50. 9.55. 10.00. 10.05. 10.10. 10.15. 10.20. 10.25. 10.30. 10.35. 10.40. 10.45. 10.50. 10.55. 11.00. 11.05. 11.10. 11.15. 11.20. 11.25. 11.30. 11.35. 11.40. 11.45. 11.50. 11.55. 12.00. 12.05. 12.10. 12.15. 12.20. 12.25. 12.30. 12.35. 12.40. 12.45. 12.50. 12.55. 1.00. 1.05. 1.10. 1.15. 1.20. 1.25. 1.30. 1.35. 1.40. 1.45. 1.50. 1.55. 2.00. 2.05. 2.10. 2.15. 2.20. 2.25. 2.30. 2.35. 2.40. 2.45. 2.50. 2.55. 3.00. 3.05. 3.10. 3.15. 3.20. 3.25. 3.30. 3.35. 3.40. 3.45. 3.50. 3.55. 4.00. 4.05. 4.10. 4.15. 4.20. 4.25. 4.30. 4.35. 4.40. 4.45. 4.50. 4.55. 5.00. 5.05. 5.10. 5.15. 5.20. 5.25. 5.30. 5.35. 5.40. 5.45. 5.50. 5.55. 6.00. 6.05. 6.10. 6.15. 6.20. 6.25. 6.30. 6.35. 6.40. 6.45. 6.50. 6.55. 7.00. 7.05. 7.10. 7.15. 7.20. 7.25. 7.30. 7.35. 7.40. 7.45. 7.50. 7.55. 8.00. 8.05. 8.10. 8.15. 8.20. 8.25. 8.30. 8.35. 8.40. 8.45. 8.50. 8.55. 9.00. 9.05. 9.10. 9.15. 9.20. 9.25. 9.30. 9.35. 9.40. 9.45. 9.50. 9.55. 10.00. 10.05. 10.10. 10.15. 10.20. 10.25. 10.30. 10.35. 10.40. 10.45. 10.50. 10.55. 11.00. 11.05. 11.10. 11.15. 11.20. 11.25. 11.30. 11.35. 11.40. 11.45. 11.50. 11.55. 12.00. 12.05. 12.10. 12.15. 12.20. 12.25. 12.30. 12.35. 12.40. 12.45. 12.50. 12.55. 1.00. 1.05. 1.10. 1.15. 1.20. 1.25. 1.30. 1.35. 1.40. 1.45. 1.50. 1.55. 2.00. 2.05. 2.10. 2.15. 2.20. 2.25. 2.30. 2.35. 2.40. 2.45. 2.50. 2.55. 3.00. 3.05. 3.10. 3.15. 3.20. 3.25. 3.30. 3.35. 3.40. 3.45. 3.50. 3.55. 4.00. 4.05. 4.10. 4.15. 4.20. 4.25. 4.30. 4.35. 4.40. 4.45. 4.50. 4.55. 5.00. 5.05. 5.10. 5.15. 5.20. 5.25. 5.30. 5.35. 5.40. 5.45. 5.5

Book review

Vanishing Hitchcock

by NIGEL ANDREWS

MITCH by John Russell Taylor. Faber 16.50, 310 pages

Two facts are obvious: everybody knows Alfred Hitchcock, and nobody knows him. The first sentence of John Russell Taylor's splendid new biography of Hitchcock reverberates through the book. For decades film-lovers and film students have been wondering if the real Alfred Hitchcock would ever step forward: it indeed, there was a real Alfred Hitchcock behind the carefully groomed persona of the macabre and impish showman. Russell Taylor, formerly film critic and currently art critic of the Times, is wise enough to keep this question always in front of his readers without ever sedating their interest with a single definitive answer.

As one whose childhood was spent soaking up the thrills of the Alfred Hitchcock Presents series on TV, I indelibly associate Hitchcock with that bald, bulbous, slightly toothsome presence that wandered into frame at the beginning of each programme, behind its own drawn silhouette, accompanied always by that trippy-sinister theme composed by Bernard Herrmann (who went on to score Psycho).

Hitchcock's delivery of his TV proteges was hilariously slow, courtly and macabre, like an invitation to a beheading. And that poker-faced malevolence has marked all his public appearances, from interviews to lectures to those famous cameo roles in his own films. However we want to see Hitchcock, Hitchcock himself clearly wants to be seen as a sort of Olympian conjurer, dealing out suspense, shock and surprises without any show of effort or fear of predictability.

The temptation to trawl Hitchcock's childhood for incidents that contributed to his becoming the cinema's genius of the mystery thriller must have been great. But Taylor does not dwell overlong on Hitchcock's early years. The son of an East London greengrocer, he was born in Leytonstone in 1899—the same year, incidentally, as Noel

Coward and Charles Chaplin—and spent most of his schooling at a strict Jesuit College in Stamford Hill. It was here, Hitchcock must have learned the rudiments of guilt and fear which he later expressed and "released" in his films.

But conjectures about formative influences in childhood are always conjectures, and Taylor sensibly escorts us through Hitchcock's precocious cinematic years without too much circumspection, devoting most of the book to his years in the movies. Fifty-nine years, to be precise, and 53 movies: beginning with *The Pleasure Garden* and ending with *Family Plot*.

There are smatterings of information about Hitchcock's home life, with wife Alma and daughter Pat, and slivers of detail about his life. But mostly Taylor is interested, and so are we, in how the films were made. And, when relevant, why.

In this department, then, the book is a quite invaluable companion piece in Truffaut's famous interview. In some respects it is even more instructive: since Taylor does not merely pick select scenes and details from the films themselves, but follows each project through from genesis to completion and to critical and commercial reception. In the case of *Family Plot*, furthermore, Taylor was present himself during the shooting, with Hitchcock's blessing, and contributes an enthralling first-hand account of the making of a movie.

Throughout the book the same questions keep popping up. Are Hitchcock's films the playthings of a fertile but dilettante mind, or are they ratharistic expressions of his own guilts and fears? Is the "real" Hitchcock to be found in his films or behind the barricades of his determinedly private life? John Russell Taylor presents the evidence and suggests some answers. But he does not pretend to omniscience. Its confiding, colloquial style eases the reader into a dialogue about Hitchcock, and the conversation gets more fascinating as the book goes on.



'La Conscience', a woodcut by Auguste Lepère, lent by the Victoria and Albert Museum and part of 'The Mechanised Image' exhibition

'The Mechanised Image', a major exhibition organised for the Arts Council by Pat Gilmour, that has been touring the country throughout the summer, is now at the Hunter Gallery in Newcastle, where it remains until November 19. It is unashamedly a didactic show, in part historical, but more a survey and explication of the various processes and physical characteristics of the Print, the mechanised image of the title. For the distinctions between engraving, dry point and etching, for example; between aquatint and mezzotint; or silk-screen and photo-lithography, are all too easy for the layman to miss, who thus might lose considerably in his understanding and appreciation of these sophisticated crafts. To point them out at all is a most useful service, but this show, which contains many splendid images by great artists, from Durer to Matisse, is much more than that. It is no mere exercise in name-dropping, the balance of the work being concerned with recent practice, many of the artists' work being obscure. It is a show that requires a certain effort by the viewer, but which rewards him significantly.

WILLIAM PACKER

Guitar concert at the Festival Hall

Guitar—Three Facets of the Guitar is the title of a concert at the Festival Hall on Saturday, November 18. The three aspects to be featured are: classical, flamenco and jazz and four of the top names in the guitar world are taking part.

Carlos Bonell will play classical guitar while Paco Pena will take care of the Spanish and the flamenco parts of the programme.

Ike Isaacs and Denny Wright, two of this country's leading jazz guitarists, will be featured along with two other musicians: cornet

American musicians at the Portman

American cornetist Wild Bill Davison will be appearing with his All-Stars, comprising British musicians, at the October 22 New Orleans Jazz Brunch at the Portman Hotel, W1.

The following week American veteran multi-saxist Benny Waters, for many years resident in Europe, will play with the trio of pianist Fred Hunt.

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16th October, 1978.



Fred Pearson and Peter Hugo-Daly

Dublin Theatre Festival

by B. A. YOUNG

The new improved three-week Dublin Festival still puts the Abbey at the head of its list of attractions, and in a not very distinguished lot the Abbey's *Uncle Vaniah* probably deserves it—though there's some interesting work still to come this week.

The Abbey has invited a Russian director, Vladimir Monakhov, from the Maly Theatre, to interpret Chekhov. Monakhov is a devoted Stanislavskian, but Stanislavsky shows more in the sound-track than in the acting, which with one exception is pretty ordinary. The exception of course is Cyril Cusack, whose Vanya, with his cool mockery and his heart-stirring rage, is worth the trip by itself. Clive Geraghty's humourless Astrov is a little drunker than usual, yet remains immaculate in his smart suit, which he wears from July to September. Perhaps the most remarkable feature of the production is Bronson's designs. Heavy pillars support the walls of the enormous rooms in the Volynsky house with its elaborately decorated flower-pattern friezes. Some of the family's domestic chatter has been span distances of 30 feet or so.

Another visiting director has been called in for the RTE Players' production of Feydeau's *Sauveur* for the Gaiety, Jean-Claude Amyl of the Comedie Francaise. I felt that this was a nice production, but it had been defeated by the company, who play as if in a television situation comedy. Lines that hold a wealth of meaning are skated over without subtlety. The costumes (uncredited) hardly do the boulevardier world we are supposed to be surveying; the men, with their light summer suits and open-neck shirts, suggest holidaymakers at Bognor in the 1920s rather than smart young Parisians. Victor the dog must be at least 30 a ripe age for puberty. Still, it is a splendid farce, and there are scenes in it that cannot fail, such as the invasion of the hotel bedroom by every guest in the hotel when Pinchard and his stone-deaf wife set off the trick electric bells under their mattress. A good market too for Laurence Foster for his scene in Act 3 where he tries to make love when he would rather sleep.

More situation comedy at the Eblane under the bat-stationer Joe O'Donnell's *The Boyfire*. I made a bee-line for this when I saw that it was to be directed by Robert Gillespie, but Mr. Gillespie has had less than a year's experience. The Eblane Dublin married couples are involved, and there seems to be some notion that their behaviour is being observed satirically. They are a whizz-kid executive and his unspontaneous wife from Limerick; a decent man and his heart-stirring rage, is worth the trip by itself. Clive Geraghty's humourless Astrov is a little drunker than usual, yet remains immaculate in his smart suit, which he wears from July to September. Perhaps the most remarkable feature of the production is Bronson's designs. Heavy pillars support the walls of the enormous rooms in the Volynsky house with its elaborately decorated flower-pattern friezes. Some of the family's domestic chatter has been span distances of 30 feet or so.

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Livia Rev

by DAVID MURRAY

Miss Rev is a Debussy specialist of parts, the right pianist to introduce the early Debussy sketches that we heard on Saturday night. Not really very early: the three so-called images (nothing to do with the two famous sets of 1905 and 1907) were drafted when the composer was 32—but his mature piano style, postdates 'Afternoon of a Faun' and even Pelléas. These images illustrate a transition-period which the published work does not represent (unless, as many suspect, 'Masses' and 'L'isle Joyeuse' were drafted long before their 1904 publication).

Miss Rev played them carefully, from the music. The first piece plainly belongs to the world of the veiled piano and orchestra. Fontaine winsomely pensive in F-sharp. The special interest of the second and third is just what will prevent them from entering the repertoire: the 'Sarabande' is a less harmonically assured version of the Sarabane of Pour le piano, and the third—embellished with whimsical Sate-sque comments like its title. 'Quelques aspects de 'Nous n'irons pas au bois' parce qu'il fait un temps infer-

supportable"—tries out elements of what was to be 'Gardens in the Rain' in *Estampes*. They cannot now be independently viable, but they were fascinating to hear.

We had another early piece, too, and the minuscule 'Elegie' of 1915. The complete Book Two of the *Préludes* was Miss Rev's principal offering. Comfort, able playing, immensely perceptive and excellently faithful to the texts (which are much more precisely specified than lazy pianists notice), always lively, one guessed in advance that 'Fireworks' would become a water-piece, and it did. Echoes of the clavierists whom Debussy had been studying were superimposed, or at any rate imputed (as in 'Tirresca stances'). The multi-textured preludes—'On-dine', 'Les fées'—revealed deep perspectives. Miss Rev had begun with Mozart's Sonata in D, K.576, shapely but too aqueous in sound for my taste; it is virtually a harpsichord work, after all, and she concluded with Chopin's First and Fourth Ballades, lyrically free and sonorous despite a rash of fingerings.

George Orwell Prize

Penguin Books are awarding this year's George Orwell Memorial Prize to Paul Bailey for his article 'The Limitations of Despair' first published in The Listener.

The prize was instituted in 1975 to mark Penguin's 40th anniversary and the prize is worth £750. The award is given annually for an article, essay or a series of articles commenting on current cultural, social or political issues anywhere in the world, and the work must have been published in the UK either in a newspaper, periodical or pamphlet in the preceding year.

Royal Ballet revivals

During December and January, the Royal Ballet at the Royal Opera House presents revivals of Frederick Ashton's *Scenes de ballet* (with Jennifer Penney and Michael Coleman), and Kenneth MacMillan's *The Rite of Spring* (with Monica Mason as The Chosen Maiden) in a triple bill with The Firebird on Friday, January 19.

Following the revival of Frederick Ashton's *Birthday Offering* on November 23, there will be further performances of this ballet in a triple bill with *Les Sylphides* and *Jazz Calendar* on December 2 (matinee), December 4, 12, and 13.

Riverside Studios

The Ragged Trousered Philanthropists

by MICHAEL COVENEY

Stephen Lowe made a more than promising big-stage debut last year at the Nottingham Playhouse with *Touched*, a sensitive, poetic piece set in the Nottingham back streets at the end of the last war. Now, in collaboration with the Joint Stock company and the brilliantly alchemic talents of director William Gaskill, he has scripted a version of Robert Tresselt's Socialist classic that is a model of adaptation, dramatic emphasis and sheer theatrical magic.

It is a special pleasure to review a production that is so obviously "played in" for start, the company of Mugsborough (Hastings) painters and decorators actually paint and decorate with considerable aplomb, forcing the pace of their work when the lugubrious Hunter, the boss's agent, pokes his nose round a door or trestle. Not since the heyday of David Storey has the voluptuous quality of work been so splendidly celebrated on our stages, and the action is frequently splintered between a wall being painted behind you, a lintel stripped in front, or Owen (Fred Pearson), applying his gold leaf on the ceiling above. The opening seven minutes, with workers arriving to set up shop and receive granted instructions from the foreman Crass or the old faithful Philpott, are a seductive delight. Young Bert (Harriet Walter) dashes in and fro with buckets and planks while the play swings slowly, but surely, into low gear.

Each line leads to a conclusion in which Tony's epitaph is brought up to suggest that it is a lasting power for love and understanding, that Tony's name was not written in sand after all. If the play were a better-constructed play, this would be more convincing, but it is an indulgent sequence of Yeats' happy philosophising and little more. There is some pleasant writing, though, especially in the naive political satire of the third act; and the World Theatre Company (who gave us *Spokenword*) set attractively under the direction of Beryl Fagan.

There is a fringe of a Fringe at the Dublin Festival now. I could not sample much of it, but I am glad to record my visit to the Threadbare Theatre Company at Trinity College, where they gave decent performances of a piece by Maupassant (*The Renegade*) and Shaw's *How He Led to Her Husband*, which can't be taken down from the shelf very often and ought to be. Everyone was delighted by the Natural Theatre Company from Bath, processing through the city with their yellow suitcases, in and out of forbidden territory; or staging a triple wedding out of the Dublin Festival now.

Sadler's Wells

Friday the thirteenth took what Sadler's Wells Royal Ballet probably thought was its expected victim: injury, bereavement, a work cancelled, and programme sheets rich in mis-information. But the evening was a success, bringing another chance to see Michael Corder's opus 1, *Rhyme nor Reason*, as a substitute for *Parade*, and an alert performance of *The Rake's Progress*.

Earlier in the season Ninette de Valois' scenes from Hogarthian London had looked underpowered, fileted and polite instead of voracious. With David Morse as the Rake, the piece was pulled into focus. Morse is a dancer of bright, easy style, thanks to his quick elastic musculature, and no less easy dramatic skill. He is the member of the Wells troupe most naturally suited to the Rake, and he is more than passably like him in the opening scene. David Bintlley's menacing Gentleman with a Rope, are all fine, because it appears so entirely I admitted, too, the make-up of the subsidiary players: Dennis

He restores to the role that Bonner and Douglas Vardon as quality of innocent larkiness so needed in the first scenes to set off the young man's later descent into Bedlam, and he has Helpmann's ability to remain the comic centre of the brother's humours, with an enthusiasm as his playing that shows us the Rake truly bent on enjoying for himself. By the time he reaches the gaming den, he is a man feeling his fate: in the madhouse, frenzy contrasts with an immobility to which Morse gives a tragic dignity. It is, in sum, a performance rich in nuance and understanding, and exact in realising the ballet's atmosphere.

Excellent support came from the other members of the cast: Marion Tait's unrepentant Betrayed Girl, Kim Reeder's spy and clear-cut Dancing Master, David Bintlley's menacing Gentleman with a Rope, are all fine, because it appears so entirely I admitted, too, the make-up of the subsidiary players: Dennis

ENTERTAINMENT GUIDE

| THEATRES | THEATRES | THEATRES | THEATRES |
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FINANCIAL TIMES SURVEY

Monday October 16 1978

Towards
a wider
world
role

By Jonathan Carr
Bonn Correspondent

West Germany

Events this year suggest that West Germany's political stature in world affairs may be growing to match its economic strength. What has yet to be defined is how the Germans themselves see their role among the family of nations developing.

AT TIMES this year it would have been easy to mistake West Germany for a world power. In May, the Soviet President, Mr. Leonid Brezhnev, came to speak not only of economic co-operation spanning decades but also of close-warm arms control. In July President Carter made a personal triumphant visit to West Germany and West Berlin, culminating in the seven-nation Western economic summit conference in Bonn. Earlier the same month in Bremen, the European Community countries took a big step forward (some of them uneasy) towards creation of a new European monetary system.

Those were some of the highlights. Interpersed among them were visits by many other foreign leaders—some from opposing sides in this or that regional conflict, but almost all hoping for a special hearing and particular support.

Clearly it is time to bury that old description of West Germany as an economic giant but a political dwarf. It was inevitable that the country would one day find a voice appropriate to the strength of its economic performance, of its defence contribution to the West and of its world interests, born chiefly of a dependence on foreign trade. But it was not certain that the voice, when it came, would be used in large measure with moderation to secure compromise. How much evidence could have been assembled from German history to suggest that this would be so? How many who saw the country in the early post-war years truly expected what has now emerged: a democratic Germany playing a world role without seeking to become a world power?

It can be argued that the will

to compromise results simply from the cool recognition of the limited room for manoeuvre of the modern nation State. There is a lot in that view—but this recognition was not bound to become self-evident in West Germany. Nor are Germany's limitations always wholly apparent to its foreign partners. When, for example, the U.S. urged West Germany to take up the role of a "locomotive" of the world economy, the main reaction in Bonn was one of concern that anyone could so overestimate its possibilities. But it did not rule out a co-responsibility in complementary, international efforts to heave the western world further out of recession. And that is what emerged at the July economic summit.

In Europe the overestimation often takes a different form. The West German armed forces are embedded in NATO's military structure (in a way which those of France, for example, are not). Yet that alone does not remove latent fears in partner countries, which, given the appropriate domestic political stimulus, emerge with often startling force. Even the rise of a German-led steel grouping during the current recession was labelled by a leading French newspaper "a veritable war machine."

Again, proposals on currency stability in Europe are described by some in England simply as a move to create a "Deutschmark zone"—a trick by which West German goods will be allowed to flood the British market. (Holland, fear, almost any manifestation already part of a currency stability zone with West Germany and running a trade surplus with it, apparently has no such fears.) The reaction is not new. Even in the early 1960s an English writer pointedly remarked, "As long as the Germans were starving and poverty stricken they were assured of a certain amount of sympathy... a lot of this was dissipated when they ventured to become rich and prosperous and to pile up a larger gold reserve than ours."

Memories

Thus history imposes an additional constraint on West Germany—and one of which its present leadership is well aware. As Chancellor Helmut Schmidt noted recently, the Nazi era not only remains strong in the memories of those, at home and abroad, who lived through it. It continues to affect the attitudes even of those born after it.

Externally, this means that one

warily, seeking to present any major new initiative with at least one other partner, preferably with several. Domestically, it means the country must face special pressures from outside which other nations need not. Almost any manifestation of German extreme Right-wing activity, however small, is likely to be taken up and emphasised abroad. And this remains so despite the failure in recent years of the far Right (or, for that matter, the far Left) to gain a single seat in any federal or State parliament. And that is the development at a time of recession when, in theory, extremists would stand to gain.

Not surprisingly foreign criticism excites a defensive reaction. Take the parliamentary measure over the last year or so to combat terrorism. These included widened powers of police search and detention and authority, in special circumstances, to ban prisoners suspected of terrorism from all contact with the outside world. One Parliamentarian noted privately that several other Western democracies had experienced the like of the terrorist attacks in West Germany last year. "But of course," he added bitterly, "no one abroad will bother to mention that." The observation

was not wholly accurate—but it is nonetheless true that the Germans are often given a "special handling" by foreign commentators not to their advantage.

Flaw

That said, there is a sense in which the Germans make life hard for themselves. In general, they have a particularly high regard for the value of regulations which have been committed to print, and display a perfectionist zeal in carrying them out to the letter. At the height of the terrorist threat last year, there was a danger that Parliament might have seen the answer in a flood of new laws covering every conceivable menace—but whose practical application would have brought a restriction of basic freedoms. That did not happen. In retrospect the measures taken were, in sum, moderate. But the danger existed—and it would have been the greater if yet another terrorist attack had occurred. In fact, since the murder of the industrialist, Dr. Hanns-Martin Schleyer last October, the battle against terrorism appears to have gone more the authorities' way.

This danger showed itself

who wished to undermine the constitutional state from obtaining civil service jobs—the "Kadikatu Erlasse." Put like that the decree sounds almost self-evident—and apparently that is the way it was seen by the (then) Chancellor, Herr Willy Brandt, and the Prime Ministers of the federal States who agreed to it. Its fatal flaw was that it was wide open to perfectionist interpretation by officials in some States, who subjected candidates not so much to an examination as to a personal "grilling."

One cartoonist made fun of it all, showing officials dismissing a charwoman whose political attitude was held to be a threat to the "basic democratic order." For many the effect of the decree has been anything but amusing, and the federal system which gives wide competence to provincial authorities, makes the error hard to rectify. Herr Brandt told the Bundestag the other day that when he agreed to the decree he never dreamed of what would be done in its name. His statement served as a warning as well as an admission.

There are even wider implications to be drawn from this national characteristic. To an observer it sometimes seems that West Germans believe democracy to be a perfectable process. The structure is already there—the written

constitution with the constitutional court as highest arbiter, the federal President above party politics, the parties themselves and the federal system. The danger, not wholly avoided, is to believe that this excellent structure alone will guarantee the democratic process—providing all citizens do their duty at election time. There are certainly organisational aspects of the West German system which others, including the British, might adopt with profit. But the Germans could benefit, too, from a little more flexibility, making the best of a (not very) bad job—with more emphasis on the idea that they live under the worst system "apart from all the others."

However, that attitude would have its drawbacks. For it is surely this perfectionism, this attention to detail which has helped make the West German economy one of the world's most successful. Bluntly, the Germans generally make good products which other people need and deliver them on time. The underlying cause of their trade surplus (against which must be set a deficit on services) is that more often than not, they perform this operation more effectively than their competitors.

It is true that trade union

management relations are not as smooth as they were—which is far from suggesting they are on the path to anarchy. It is also true that there is a fairly new minority prepared to "soak" the social security system in what is generally held to be a most "un-Germanic" way. But that does not imply that the Germans have caught what they often, somewhat narrowly, describe as the "English disease."

The price of this success is tough competition and a lot of stress. The inflation rate is now running at a little over 2 per cent. Real economic growth this year is likely to be about 3 per cent, and picking up after a poor first quarter. The D-mark is unpleasantly buoyant for German exporters, but that cuts their import bill for energy and raw materials. In most countries this would be cause for elation. But in West Germany it sometimes seems that only the perfect triangle will do—zero inflation, substantial and sustained growth—and enough unemployment merely to ensure some labour mobility. Even then there would surely be people worrying about how this situation could be maintained.

West German society, then, is not one that all would choose. It sometimes seems that the Germans themselves might prefer something else—as they pour abroad in unparalleled numbers for their holidays. But there is undeniably much to be learned from how the Germans managed to cope so well, in such unpropitious circumstances, with problems which face most of their western partners—trade dependence, energy, industrial relations, the environment and so on.

The American writer and diplomat, Mr. George Kennan, made a similar point in a speech in Bonn earlier this year. He reminded his listeners that he had been in imperial Germany as a child, in Weimar as a student and in Nazi Germany as a diplomat. Returning now, he could think of no other country whose modern development had, by example, so much to offer. That contribution might even be seen as a part reconciliation for the past, he said—but added laughingly that he was an old man prone to exaggeration. His German audience, it hardly needs saying, took the point very seriously indeed.

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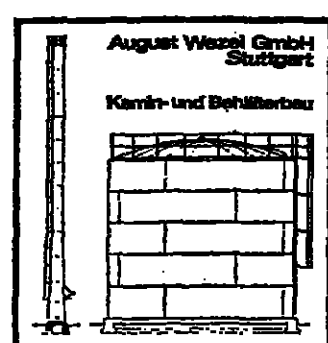
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WEST GERMANY II

POLITICS

Herr Schmidt in the saddle



Chancellor Helmut Schmidt: heading the popularity polls.

CHANCELLOR Helmut Schmidt gave the result of the key election this month in the State of Hesse as follows: an increase in support for the Social Democrat Party (SPD), a decrease for the opposition Christian Democrats (CDU) and a return of the Liberal Free Democrats (FDP) to their coalition with the SPD.

The interesting thing about this is that Herr Schmidt made the statement in a radio interview on September 30—eight days before the election occurred. The result in Hesse says much about the stability of the West German political scene. And the man who made the forecast, which proved exactly right, is one main reason why the scene remains stable in Bonn as well as Hesse. The SPD-FDP coalition stays in power under Herr Schmidt, and the CDU (with its Bavarian sister party the Christian Social Union (CSU) remains in opposition after nearly nine years.

Breakthrough

Hesse could have been the big breakthrough for the CDU. The SPD, which used to dominate the state, slipped badly in recent years and could have stayed in government only with liberal help. This time there was a real chance that the FDP would fall below the 5 per cent margin of support needed for parliamentary representation. Exactly that happened in other provincial elections in Hamburg and Lower Saxony in April. In Hesse that would have left the CDU and SPD alone—and the CDU expected just to have the edge on its rival, thus reaching Government power at last. In the event the CDU did emerge narrowly as the biggest single party—though it lost a little ground against its result four years earlier. But the FDP never displaced the SPD-FDP and the old firm remained in Government business.

A CDU victory would have had important consequences at national level. For while the SPD-FDP has a majority of 10 in the lower house of the federal Parliament, the CDU-CSU is on top in the Bundesrat,

the second chamber, which gave the result of the key election this month in the State of Hesse as follows: an increase in support for the Social Democrat Party (SPD), a decrease for the opposition Christian Democrats (CDU) and a return of the Liberal Free Democrats (FDP) to their coalition with the SPD.

More over a win in Hesse would have given the CDU-CSU a two-thirds Bundesrat majority, and the right to block all Government legislation passed up to it if it wished. The Government would have been left with the choice either of continuing more or less as an administrative body, forsaking the right to new law-making. Or it would have had to take the steps necessary to bring premature general elections. The next such elections would not normally be due until late in 1980.

One conclusion likely to be drawn by many from the Hesse result is that it provides the final proof that the CDU cannot return to power by hoping to displace the SPD-FDP together. It is probably a wrong conclusion and the election in West Berlin next March could prove it to be so. There, too, the SPD and FDP are in alliance—the latter with only 7.1 per cent of the vote. They will face a powerful challenge from the CDU, the biggest single party with 43.9 per cent of the vote, under an outstanding new leader there, Dr. Richard von Weizsäcker. He is one of the most effective representatives of the middle ground in the CDU. He may well tempt away liberal support from the FDP—which is what the CDU leader in Hesse, Dr. Alfred Dregger, largely failed to do. Dr. Dregger is generally seen as well to the right of his party. Even SPD and FDP supporters, dissatisfied with their Government's recent performance, found it hard indeed to make the major leap to support him. But what is the alternative party for those in the opposition who feel, nevertheless, that they will never displace the SPD-FDP "block parties," as they call them? One clear answer is to found a new, fourth, party nationwide to try to scoop up every last right wing vote. This has long been an idea with which the ebullient CSU leader, Herr Franz Josef Strauss, has toyed. It goes almost without saying that this fourth party

would, in essence, be an extension of his own remarkably successful CSU beyond Bavaria's borders, led by himself.

It is just conceivable that such a party, in the right circumstances, could gain enough support to enhance Herr Strauss's chances of becoming opposition candidate for the Chancellorship in 1980. The previous candidate was the CDU chairman, Dr. Helmut Kohl, under whose leadership the opposition gained 48.6 per cent of the vote in the 1976 elections—a highly respectable result, but not enough. It is also quite conceivable that the foundation of a fourth party by Herr Strauss would simply split the opposition altogether (the CDU and CSU often appear to treat one another as rivals rather than allies) and help one but the present Government coalition. The West German political system, with its "5 per cent" rule, makes life hard for new forces on the political scene. The groups of environmentalists who made something of an impact in Lower Saxony and Hamburg in April made precious little in Hesse in October. As for the extremists of Left and Right, alone close to 5 per cent. An opposition split would

mean that, barring accidents, Herr Schmidt would remain Chancellor through into the 1980s. And that would seem to match the desire of many Germans—for Herr Schmidt is far and away at the top of the list in opinion polls on the country's leaders. He is also much the finest performer in the Bundestag. His nearest rival, Herr Strauss, is leaving 1978, has slipped back Italy to take up the Prime Minister-ship of Bavaria—which does not mean an end to his national ambitions, only that he will be pursuing them from a different angle.

Dr. Kohl had a fine record in his previous post as Prime Minister of the State of Rhineland Palatinate—but often gives the impression that he is not wholly comfortable when leading his forces into the attack in the Bundestag. He is not as bad as many critics claim. "The world has not yet even acknowledged your existence," Herr Schmidt remarked unkindly, and partly inaccurately, to Dr. Kohl in a Bundestag speech the other day. But if the foreigner's chief interest in West German politics is confined to asking whether Herr Schmidt is firmly in the saddle—then the answer is yes.

Jonathan Carr

DEFENCE

Sources of friction

LAST MONTH the Atlantic Treaty Association held its annual congress in Hamburg. A more suitable site could hardly have been found for discussion of the Association's chosen theme. "The Atlantic alliance and the situation in Central Europe." For Hamburg, West Germany's most populous city (excluding West Berlin), is only about 50 km from the border with the Warsaw Pact. In other words a rather slow vehicle can cover the distance easily within the hour.

West Germany's geographical position is the uncomfortable constant around which ever-changing and often abstruse domestic arguments about weaponry and tactics revolve. The country's eastern and western borders are less than 500 km apart. One-third of the population and about one quarter of industry lie within 100 km of the frontier with East Germany. Theoretically there could be a military case for drawing on an invader from the East—"trading territory for time"—as the jargon has it. But the huge losses West Germany would quickly, inevitably, suffer make such a course politically inconceivable.

Strategy

Hence the commitment of NATO to a strategy of forward defence—meaning that as many allied nations as possible would act to repel aggression the moment it occurred. Hence the profound uneasiness in Bonn last year when reports emerged of a study in Washington apparently proposing a watering down of the forward defence strategy. Even the question of the neutron bomb hardly touched so sensitive a nerve in West Germany. The U.S. made clear the document involved was simply a study of possible options. President Carter reaffirmed commitment to existing strategy and the immediate upset died down. But for the Germans it was an unpleasant reminder of vulnerability.

It is in this context that the Bundeswehr—the West German armed forces—must be seen. Bonn makes the second biggest annual contribution to NATO after the United States, keeping roughly 500,000 people under arms. They are recognised—in the east as well as the west—as well trained and well armed. The 1978 defence budget showed a fairly small increase against last year—of 4.3 per cent to DM 34bn. But the proportion of it being spent directly on weapons and ammunition increased sharply, while that part going to personnel and administrative costs declined. The West Germans aim to spend about DM 40bn, to the end of the 1980s on new weaponry alone. And most of the programmes necessary to ensure this have already been approved by Parliament.

Figures alone cannot tell the whole story. For many years West German defence spending was being concentrated exclusively on the European theatre while that of several key allies was still partly going overseas, for colonial or post colonial commitments. This also meant Bonn was concentrating on a relatively limited range of military equipment—tailored exclusively to the fulfilling of European tasks.

All that is sometimes a cause for apprehension for former foes of Germany in two world wars. But the defence role of the Bundeswehr is not just a matter of stated Government policy (as well as a constitutional obligation). By its training, disposition and equipment the Bundeswehr is not suited to an attack role. It is embedded in a structure with the forces of other allies whose presence on German soil is not simply tolerated but essential to maintain a credible defence posture before the East.

These forces together remain inferior in number to those of the Warsaw Pact—but are thought still to have a qualitative superiority. The West has roughly the same number of tactical nuclear weapons as the East and a qualitative lead—though this could be lost before

long without a new drive for modernisation. As for strategic nuclear weapons, the Soviet Union and the U.S. are roughly in balance—after many years of American superiority. These three elements—conventional forces and nuclear tactical and strategic weaponry—make up the so-called "triad" of NATO defence.

NATO's aim remains a balance of power at the lowest attainable level of force. The NATO-Warsaw Pact discussions on mutual and balanced force reductions (MBFR) have been one path to this objective. And after years of apparent stalemate, West Germany, for one, feels there are now some hopeful signs of movement. The two super-powers also seem close to a second agreement in their Strategic Arms Limitation Talks (SALT).

The upsetting factor for the West Europeans in general and the West Germans in particular, is the Soviet build-up of its medium-range nuclear potential—for example, the SS-20 missile and the backfire bomber. These are the so-called "grey zone" weapons which do not come within MBFR because they are nuclear, nor within SALT because they have not so far been widely considered strategic. But with a range of up to 4,000 km they could hit all European countries, so that they definitely present Europe, if not directly the U.S., with a strategic problem.

The danger is that the balance of the "triad" will be upset—that the superpowers will reach an accord in effect paralysing one another in the intercontinental strategic sector, while the Soviet Union continues its medium-range build-up unhindered. The best answer would be to draw this problem directly into the SALT talks—so that an early SALT 2 accord would lead automatically to a third round embracing the "grey zone" problem. The less satisfactory alternative would be provision to the Europeans by the Americans of a medium-range balance to the

Soviet threat. That implies both the readiness of the U.S. to make the offer and the willingness of Western European Governments to go through the domestic upheaval involved in taking it up. The debate within West Germany on the neutron weapon—described by a leading member of the ruling Social Democrat Party (to the consternation of the Government) as a "poor country to 'go nuclear'"—indicates the kind of difficulties that could be involved.

Thus potentially the "grey zone" problem is a source of serious friction between the U.S. and its European NATO partners. It could be another of those periodic "crises" which have arisen within the alliance but which have not—in the long run—prevented it from fulfilling its basic security objective. A different outcome this time would imply a political decision either from the U.S. to disengage from the European theatre or from its allies deliberately to permit a growing East-West European imbalance, with all its consequences.

There is no sign that either the West German Government or the parliamentary opposition have any intention of allowing the latter to happen. Occasionally the international alarm bells ring—because of the fury of the neutron weapon debate (not of course confined to West Germany) or over alleged plans within the SPD for the country to "go neutral".

The fact is that the SPD now has a closer relationship to the Bundeswehr than ever before—thanks not least to the efforts of Georg Leber, the former trade unionist leader and until early this year Defence Minister. He has been succeeded by Herr Hans Apel, who shows as little inclination for a neutralist role as the former. This is the context in which the political debate about the country's present and future course is conducted.

J.C.

ENERGY

Tough decisions lie ahead

ENERGY POLICY has not often hit the headlines in West Germany this year—which could give the wrong impression that the major problems have been largely solved.

Certainly the nuclear debate has cooled and violent clashes between police and demonstrators around the sites of future nuclear power stations have virtually disappeared. But the basic problems remain. Indeed, the low-key publicity may be giving the Government a still harder task. How do you convince people that prompt action is needed to avoid energy scarcity in the 1980s when the country is wallowing in surplus and the voice of the anti-nuclear forces has been muted, if not stilled?

One way (not, however, convincing to the advocates of "qualitative growth") is to emphasise clearly the link between the jobs of the future, economic growth and energy policy—rather than treating the three as separate entities. If gross national product continues to grow more slowly than the increase in productivity per working hour, then the upshot will be an increase in the number of unemployed, currently averaging just under 1m.

Last year productivity increased by 4 per cent and there is likely to be a similar result this year. The respective real GNP growth rates are 2.4 per cent for 1977 and probably about 3 per cent for 1978. This makes the Government's aim of 4 per cent annual GNP growth into the 1980s look ambitious—but also understandable if the jobless total (and the public sector deficit) is not to increase and the social security system is to be financed. Since that is indeed the intention, there is no alternative to a policy which aims to provide the energy such a growth-rate implies.

That task is, naturally, especially hard for a country relying on imports for most of

its energy. It means that foreign political and strategic issues loom large as well as purely economic ones. From this viewpoint the pattern of energy development over the past decades in West Germany has been unsatisfactory.

The country has only one particularly significant domestic energy source—namely coal. In the 1950s, hard coal alone accounted for more than 80 per cent of the country's primary energy needs. But by last year the figure was down to less than 18 per cent (with lignite making up another 9.5 per cent).

Meanwhile oil moved into a dominant position (because it was cheap and plentiful) and retains it—despite the oil crisis and the flurry of activity after it aimed at diversifying energy sources and at energy conservation. Last year oil still accounted for 52.1 per cent of energy needs, the same figure as in 1975. At the same time the role of natural gas has been growing (to 15 per cent of energy needs), as has that of nuclear energy (to a modest 3.2 per cent).

The immediate answer might appear to be simply to turn the clock back, cut imports drastically, drop the difficult nuclear option—and rely on coal. After all, West Germany has an estimated 24bn tons of commercially extractable hard coal reserves and 10bn tons of lignite—enough to keep the lights burning for many decades to come. Hard coal and lignite together already account for more than half the country's generated power, and almost all coking coal requirements for steel manufacture can be met from domestic production.

Indeed coal is given a priority role in the latest revision of the Government's energy programme. But that does not mean that other sources can now be ignored. It implies instead that if all goes ahead as hoped (a big assumption)

hard coal will provide nearly 16 per cent of energy needs in the mid-1980s, lignite more than 7 per cent, natural gas over 18 per cent, nuclear energy over 10 per cent—and oil will stay on top with more than 46 per cent (a smaller percentage but greater tonnage than today).

Why could coal not do more? The answer is that it is already notably expensive to keep it at its present production level. Stocks are constantly growing thanks to the continuing recession in the iron and steel industry, which takes most of hard coal production. And the rise in the D-Mark means increasing competitive pressure from imports not only of oil but of non-German coal. This year alone public sector aid to the coal industry will total well over DM 4bn. The Government has earmarked DM 750m up to 1980 for development of new coal technology alone. The future of West German coal is clearly secure—but the future does not belong to it alone.

West Germany also has some natural gas—but is still dependent on imports for more than half its needs. The arrangements taken to ensure those imports make a classic example of the country's careful diversification of supply. They involve long-term agreements with the Netherlands, the main supplier, the Soviet Union (including a triangular deal with Iran, and, most recently, with Algeria (4bn cubic metres annually for 20 years starting in 1984)).

The Soviet contracts—involving provision of natural gas in payment for German steel piping—might yet prove the forerunner of another scheme, different in energy source but similar in strategy. Under it the West Germans would supply nuclear power stations to the Russians in return for electricity pumped into the Western European grid via Poland and East Germany. Initial efforts failed to bring

this project to fruition. But there are occasional indications at high political level that the scheme has not been dropped for good.

Similarly—but this time in the oil sector—the deal announced this summer between the West German energy concern, VEB, and Deutsche BP has a political significance transcending its immediate inter-company importance. Big though that already is, VEB, in which the federal Government has a 44 per cent stake, not only streamlines its refining and trading activities through the accord. It is also guaranteed 3m tonnes of oil at competitive prices annually up to the year 2000.

At first sight this amount may not seem much when compared to West Germany's total oil imports last year of 98m tonnes. But the essential point is to establish long-term co-operation with a company having major access to North Sea oil (VEBA itself already has a smaller stake in North Sea operations via the exploration company, Deminex). Britain has oil—and West Germany will continue to need oil for decades to come. That is why the VEB-BP deal is likely to go ahead—though some alterations seem certain to be made to meet the recently announced strictures of the West German cartel office.

It is worth noting that British oil shipments to West Germany in the first half of this year increased by 87 per cent against the same period of 1977—while those of Norway actually doubled. Together these two countries now account for 9 per cent of German oil imports against just 4 per cent a year ago. Meanwhile imports of Arab oil dropped by 18 per cent in the first half—meaning that oil from this source now accounts for 58 per cent of West German imports against 65 per cent in 1977. The political significance of this trend hardly needs underlining—though it clearly does not mean that West Germany is likely to be able

for the foreseeable future to become independent of imports from the Middle East region.

On the nuclear front, arguably the most important development this year has centred on a provincial minister, Herr Horst-Ludwig Riemer, who holds the economics portfolio in the State government of North Rhine-Westphalia, announced last month he opposed further work on the fast breeder reactor prototype at Kalkar, near the Dutch border. He warned of the dangers of the "plutonium economy" and proposed instead that the Kalkar project which has so far cost well over DM 1bn, should be turned into an installation to dispose of plutonium.

This development dramatically underlines that energy policy under the federal German system crucially depends on the provincial governments (and, of course, the courts) as well as on Bonn. Other examples of this include the arguments between the federal Government and that of Lower Saxony on construction of a nuclear reprocessing and waste disposal facility, and between several provincial governments and Bonn over the financing of energy-saving measures. For Bonn the Kalkar project is a matter of central importance. By making far more economical use of nuclear fuel than conventional reactor types, the fast breeder could greatly reduce West German dependence on uranium imports. This aim was reinforced by the uncertainties which surrounded provision of supplies from the United States following President Carter's entry to office.

Meanwhile the West Germans scour the earth for more sources of natural uranium. The aim is secure over half the country's needs through companies either wholly or partly German owned.



Solar panels being used to provide heating and hot water for a group of houses in Freiburg

MONETARY POLICY

CONTINUED FROM PREVIOUS PAGE

resources to the economies of the Community, most needing it will eventually emerge not them. This could mean, for only as a potential rival to the example, both renewed support International Monetary Fund for efforts to reform the Com-

mon Agricultural Policy (CAP) asset as an alternative to the dollar. It almost goes without saying that the authors of the scheme weaker economies have a wholly legitimate claim—not, it EMS is not directed against the is felt, in weakening the planned structure of the EMS itself, stability of the U.S. currency. In

Finally, all this ignores the long-term aim of the system. true. In the long run it is hard What will be the eventual role of the European Monetary Fund? What is the significance of the European currency unit, U.S. and its currency in inter-

national affairs. There is very good reason for and which also, it so happens, believing that this is the under- is the name of an old French lying aim—though there is just gold coin? The answer is that as good a reason for the authors

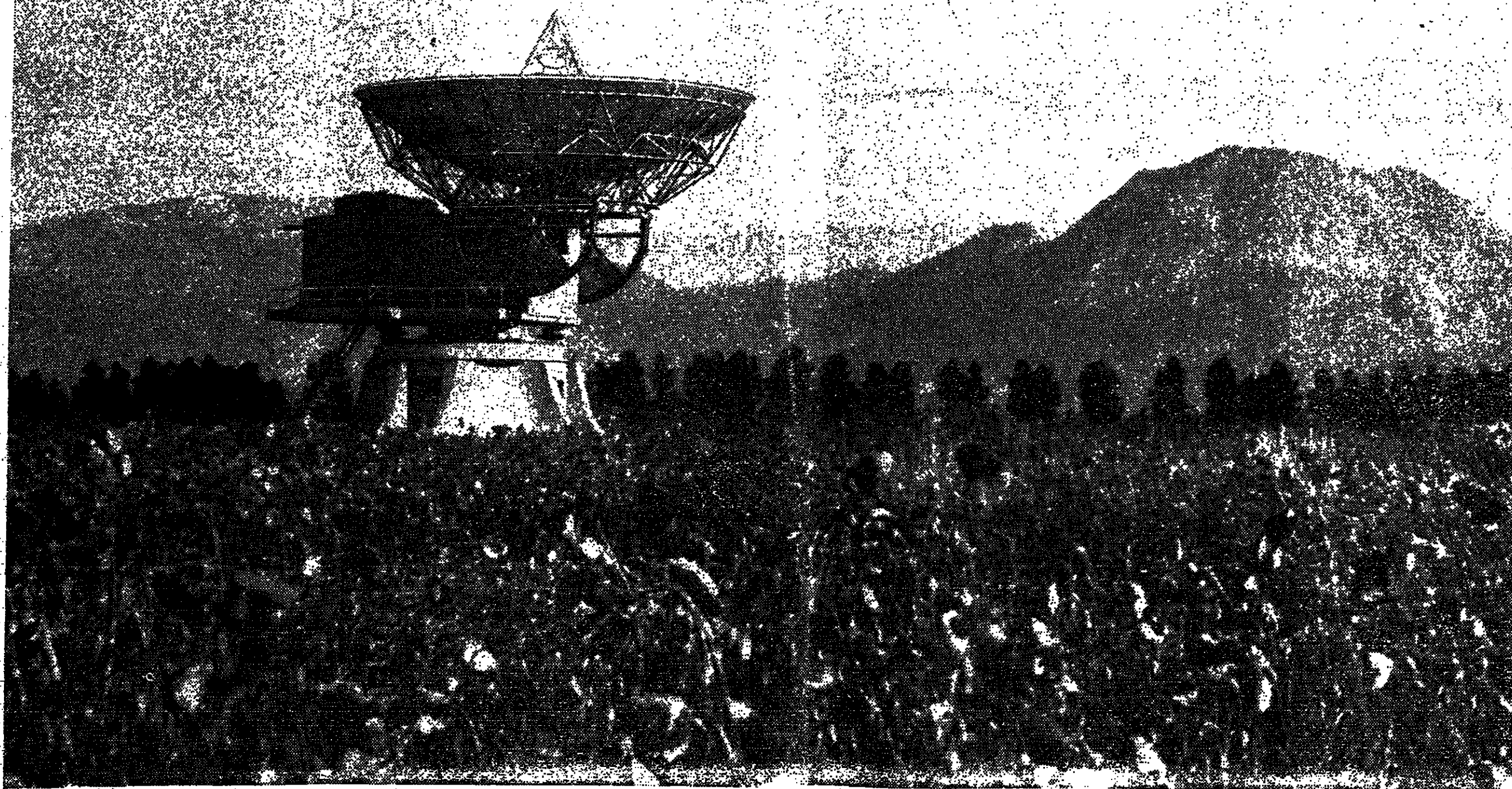
of the scheme failing to mention it. Certainly in West Germany there is little enmity to the U.S.—rather much gratitude for the vital American contribution over decades. But there is now also a firm resolve to act to try to shield the European economy against the impact of the decline of the dollar—a national currency which others have had no choice, so far, but to use as a major reserve asset.

This is an enterprise far from being without risk. But there are also risks for those who remain outside the European effort at the start and only later try to forge appropriate terms for entry. As Herr Schmidt made clear in Aachen—there are no risk-less options.

J.C.

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Franz Steinkühler



Walter Hesselbach

Franz Steinkühler
Walter Hesselbach

FRANZ STEINKÜHLER and Walter Hesselbach represent two very different sides of the West German trade union movement.

Herr Steinkühler, 41-year-old regional organiser of IG-Metall in Stuttgart, is an ambitious, tough bargainer, yet also an innovator.

Herr Hesselbach, now 63, is a banker and businessman whose fair would make him stand out in any sector, but who has spent most of his career shaping the powerful conglomerate that cements the disparate business interests of the German unions.

The two men's very different contributions are, perhaps, as good an illustration as any of the German trade union movement's attitude to life—hard-headed, pragmatic and self-reliant, yet fundamentally committed to making the capitalist social order work well enough to pay rich dividends to union members.

In his six years as the engineering and metalworkers' leader in the traditional show-piece region of Baden-Württemberg, Herr Steinkühler has already earned his place in industrial relations history.

In 1973, he led a successful strike to improve working conditions on the assembly line. As well as more generous severance terms for older workers it was the first German strike since the war not to be called about pay.

This spring, however, the bitter series of strikes and stoppages in the south-west had a still more ambitious aim. Herr Steinkühler fought for—and won—unprecedented guarantees for his members against being replaced by labour-saving machinery and

against finding themselves suddenly downgraded from skilled to unskilled job categories.

For the employers, it was a tactic to be resisted furiously in the other regions, which usually fall into line with what the industry settles on in Stuttgart.

For Herr Steinkühler, the 1979 wage round is likely to be used as an opportunity to push a little further.

As well as costing the employers about DM 2bn (€520m), this spring stoppages cost IG-Metall members themselves dear.

Herr Steinkühler, himself a qualified master toolmaker, seems to have the knack of putting the fight into the notoriously tight-fisted Swabians, however, by appealing to their self-respect as craftsmen more than to any abstruse socialist dogma.

As a deputy chairman of the Baden-Württemberg Social Democrats, he is firmly counted in the moderate camp.

In short, Herr Steinkühler is a German trade union leader in the mainstream tradition, even though he has taken it in new directions.

That may help to explain why, in works council elections at Daimler-Benz' big Untertürkheim, his candidates narrowly avoided defeat by a strident ginger group.

Nor may it be a coincidence that under the new Mitbestimmung Act, Herr Steinkühler is now a member of the Daimler-Benz supervisory board—meaning that next year he will be negotiating against a management answerable to—among others—himself.

Such a position offers power to an ambitious union leader, but it carries commensurate

risks of seeming remote from the shop-floor.

The Mitbestimmung Act, in full force since July, has brought an unaccustomed, and perhaps not wholly welcome, accolade to Herr Hesselbach.

With 11 seats on supervisory boards, he has established a record.

More than that, Herr Hesselbach has the singular distinction of being appointed to some of these posts by the employees and to others by the shareholders.

Confusing as that might sound both to capitalist and to socialist ideologues, Herr Hesselbach is probably as well equipped to breathe some life into the cumbersome and generally mistrusted Mitbestimmung arrangements as anyone could be.

The business empire over which he presides is dedicated to profitability, yet its earnings are passed ultimately back to the trade unions and used for such purposes as convalescent homes, training and youth centres and holiday resorts for union members.

After some 16 years at the head of the Bank Für Gemeinwirtschaft, the centre-piece of the unions' business interests, Herr Hesselbach stepped up in mid-1977 to be the executive chairman of the Beteiligungsgesellschaft fuer Gemeinwirtschaft, or BGAG.

Besides the bank, now in its own right West Germany's eighth-biggest, BGAG controls the Volksfuerorge Insurance group, the Neuf Heimat Home Loans and Mortgage concern and several smaller publishing and data processing companies.

It is also a one-third shareholder, and supplier of most of the business acumen, to the struggling co-operative retail chain.

BGAG, formed in order to bring all the unions' interests under one roof, has a turnover of some DM 3bn, and about 40,000 employees. In addition to dividends of DM 13.7m last year, it paid its parent unions around DM 50m more in interest on long-term loans.

In addition to its reputation as an organiser and builder of companies, Herr Hesselbach is also known for his discretion, so that it would be an understatement to say that BGAG keeps a low profile for a group of its size, financing most of its needs from its own resources.

Yet the figures speak for themselves. And Herr Hesselbach may well feel his group has little need of publicity when it can count among its presumably satisfied customers Chancellor Helmut Schmidt, who is buying his private house in Hamburg on a Neue Heimat mortgage.

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Eberhard von Kuenheim



Wilhelm Christians

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THE MOST striking thing about West German industry is the efficiency of its organisational structure. After all there is little point in having good managers if they are not provided with a framework in which they can operate effectively.

Second on the list comes the high quality of the leading executives, themselves. In the Federal Republic, the poorly organised, ill-led operations stick out like a sore thumb—for as long as they survive, that is.

The secret of Germany's industrial success is not that the people work harder than their European counterparts. They do not. However, the truth is that, in the main, they work very much more effectively—and for this thanks must go to management.

It is hard to describe German managers as though they are a separate breed. Attitudes and approach vary vastly. However, the majority of chief executives have one thing in common: a deep-seated, technical grounding in the industries they control. It is no accident, for instance, that the chiefs of the three main chemicals concerns are all scientists by profession or that the heads of the leading engineering concerns are usually engineers.

In this, Germany appears to differ considerably from Britain and the U.S., where there is a growing trend towards appointing men who are first and foremost professional managers to the chief executive slot. Both philosophies have their pros and cons, but as an American management consultant here said recently: "The German system eliminates much of the 'bullshit' factor. It makes it

harder for people to fool the men at the top."

Typical of the men at the top of German industry are Herr Eberhard von Kuenheim, chief executive of Bayerische Motoren Werke, maker of the immensely successful BMW quality cars, and Professor Matthias Seefelder, chief executive of BASF, one of West Germany's "big three" chemical concerns.

Herr von Kuenheim, who has

just turned 50, is a professional engineer with wide BMW's largest shareholder—to professional and management work as technical advisor and experience throughout the on the co-ordination of various engineering industry. Professor group activities. He rose quickly, his jobs including that of deputy chief executive of education—he has 113 patents of his name—who worked his way up from the laboratory to the chief executiveship.

BMW chief Kuenheim presides over one of the world's most impressive motor-manufacturing operations. Since 1973, sales have almost trebled—rising from DM 2.3bn to DM 6bn a year. The achievement is all the more commendable when one considers that these figures are calculated in fast-appreciating D-marks and that, far from suffering, the technical excellence of the group's products has improved.

Born in East Prussia, now part of Poland, Herr von Kuenheim completed an education interrupted by the war at the well-known Bosch concern in Stuttgart and the city's technical high school, where he studied mechanical engineering. He received his diploma in engineering in 1950.

He started his career as an engineer operating in the administration and sales sector, at Thiemann Mueller machine tool concern in Hanover. Later he took over a senior technical post, specialising in the development of automated machine tools.

His step into senior management came in 1955 when he

joined the Quandt Group—now BMW's largest shareholder—to professional and management work as technical advisor and experience throughout the on the co-ordination of various engineering industry. Professor group activities. He rose quickly, his jobs including that of deputy chief executive of education—he has 113 patents of his name—who worked his way up from the laboratory to the chief executiveship.

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fell heavily in 1977 and have shown little recovery this year. Sales stagnated at DM 21.15bn last year, hit by the low level of world economic activity, while earnings suffered as a result of the rising value of the D-mark against the currencies of group's competitors. Under Professor Seefelder's leadership the response has been fast. There will be increased investment in rationalisation, coupled with a complete about turn in the direction of BASF's capital investment policy: investment overseas is to be stepped up substantially in contrast to the former philosophy of concentrating the federal republic as the prime investment target.

The achievements of both men are well recognised by their industries. Herr von Kuenheim is a member of many supervisory Boards and sits on the executive committees of the Bavarian Employers Federation and Automobile Industry Association. He has been president of the Association of Bavarian Industry since 1977. Professor Seefelder, who is president of the West German Chemicals Manufacturers' Association, is an honorary professor of Heidelberg University and a senator of the famous Max-Planck Society. Though their problems may not be the same, men are only different sides of the same industrial coin.

Guy Hawtin

Karl Otto Pöhl
Matthias Seefelder

THERE ARE few people in the business world who have not heard of the Bundesbank and the Deutsche Bank—although some have been known to confuse the two. The Bundesbank is arguably one of the most politically independent central banks in the world, and the Deutsche Bank is the doyen of West Germany's commercial banking sector.

It is curious, perhaps, that among the leadership of these, the country's most powerful institutions, should be two men who initially chose careers far removed from banking. Dr. F. Wilhelm Christians, joint chief executive of the Deutsche Bank, was set for the diplomatic service, while Herr Karl Otto Pöhl, deputy governor of the Bundesbank, served a long apprenticeship as an economics journalist in Bonn.

Dr. Christians, who urbanely shares the role of joint executive board spokesman for the bank with overseas specialist Dr. Wilfried Guth, is one of West Germany's leading experts on the domestic and international stock markets. However, when he joined the bank in 1949, he regarded it as preparation for training for the diplomatic service.

Banking must have been in his blood for in 1951 he became a full member of the bank's staff. The diplomatic services loss has been the banking industry's gain. He has established a name not only as a top banker but as one of the West German financial world's most important ambassadors.

Although he is primarily responsible for the Deutsche Bank's securities trading and its domestic business, Dr. Christians has been very active in strengthening West Germany's

international trade links—negotiating major financial contracts between many of the Federal Republic's leading companies and their counterparts in foreign countries.

Like many of the country's leading businessmen, Dr. Christians has built his career in the concern with which he started. Now in his mid-fifties, he studied law and political science—not a typical banker's subjects, perhaps—and then embarked on learning the banking business from the bottom to the top.

He was marked as a "high-flyer" early on. Starting out in branch banking, it was not long before he had his first managerial appointment. Later he transferred to the bank's Düsseldorf central office and in 1963 was appointed assistant general manager with responsibility for the securities business. In the spring of 1965, he was appointed a deputy member of the executive board and was elected to full membership in 1967.

Dr. Christians, who was elected president of the Association of German Banks in March, 1975, is vice-president of the Dusseldorf-based Rhineland-Westphalia Stock Exchange. He is also a member of the board of EBIC—European Banks International—in which the Deutsche Bank co-operates with six other leading European banks.

Typically of many top West German bankers, Dr. Christians takes an active interest in industry. He serves on the supervisory boards of many of the Federal Republic's leading companies, including Bayer, Karstadt, Klöckner-Humboldt-Deutz and Volkswagen, and chairs the supervisory boards of Mannesmann, Otto Wolf and the



Matthias Seefelder



Karl Otto Pöhl

Rheinisch-Westfälisches Elektrizitätswerk.

Herr Pöhl is also no stereotype. He joined the Bundesbank in the spring of last year after a career which took him from the academic world to journalism, banking and Government service. Today he is the second-most important man at a central bank whose independence is renowned, and is widely tipped as a successor to Dr. Ormar Ennemann, the bank's ebullient Governor.

Born in Hanover late in 1929, Herr Pöhl is one of that rare breed of economists who have had experience of all aspects of their profession—academic, analyst, critic and man of action. He studied at the University of Göttingen, graduating in 1955.

Until 1960 he worked as divisional head at the respected Ifo Institute for economic research, in Munich—valuable experience for any man going into government service. In 1961, his career took a change of direction when he moved as an economic journalist to Bonn, where he swiftly built a formidable reputation. This led in 1968 to his appointment to the executive of the Association of German Banks in Cologne.

The move into public service came in 1970 when he became head of division in the federal Ministry of Economic Promotion. He was fast. He became a departmental chief in the federal Chancellery in 1971, heading the economic and financial policy division. There he followed 44 years as Secretary of State at the Ministry of Finance.

As Secretary of State, Herr Pöhl was an unqualified success in a field fraught with dangers. He was the Government's expert on monetary policy—both national and international—as well as basic issues of foreign policy. Even the Government's critics acknowledged his abilities when it came to his handling of the financing of the Government's budget deficits. His appointment to the Bundesbank in May, 1977, brought the central bank a rare blend of experience and expertise.

G.H.

leader and also a participant in Social Democratic Party deliberations on tax matters, he also has plenty of experience of the political process, and a lobbyist behind him.

Disillusionment with the status quo set in with the present coalition which, by his count, has in nine years passed 306 tax acts, 273 administrative decrees and 1,246 sets of guidelines.

Bonn, Herr Fredersdorf feels, is incorrigible, with yet another opportunity to simplify the tax structure for officials and taxpayers alike now passed up with the Government's post-summit package of cuts and adjustments.

There seems little doubt that hundreds of thousands of his fellow-citizens fully share this articulate—yet very average—German's sense of injury at the tax system.

Yet Herr Fredersdorf is no Pierre Poujade or Mogens Glistrup, promising what he refers to disparagingly as "Utopias."

His party will not campaign to do away with tax but to simplify it and, naturally, to reduce the burden.

Aside from that, he is in favour of that whole complex of unexceptionable goals that in American politics is summed up as motherhood and apple pie.

Unphilosophical? Perhaps. Simplistic? Undoubtedly. But the message has already found a tremendous response.

As a long-time trade union



J.C. Hermann Fredersdorf

Hermann Fredersdorf

HERMANN Fredersdorf looks more like the embodiment of the West German system which, like the man, has this year been shaken to its foundations.

In fact, he is both. The 54-year-old, chairman of the National Federation of Tax Officials has, within the space of the past 12 months, made himself a national reputation at the head of a wave of indignation at the tax structure itself.

It is no exaggeration to say that Herr Fredersdorf has given the major political parties a worse scare than anything they can recently recall.

The emergence of his movement for a fairer tax system into the limelight has coincided with the surprising success at the polls of the so-called "green" parties, mostly linked to environmental issues.

Herr Fredersdorf has publicly toyed with the idea of joining forces with them when, as he promises, a fully-pledged taxpayers' party is founded, next May.

Yet his appeal seems to meet a much more keenly-felt and far broader sense of outrage even than the environmentalists, and it appears likely that he, or his successors, will be around long after they have passed from the political scene.

The embarrassing part of it for the politicians is that, as a lifelong civil servant, Herr Fredersdorf knows far more than most people about the Byzantine complexities of the German tax system.

J.C.

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Otto Lambsdorff
Hans Matthöfer

COUNT OTTO LAMBSDORFF, Economics Minister, and Herr Hans Matthöfer, Finance Minister, have two things in common. Both are experienced Bonn hands who are relatively new to ministerial office, and both must be considered candidates for even higher positions. Beyond that, they make for a study in contrasts.

When Count Lambsdorff moved into the economics ministry on the outskirts of the capital last October, he did so with the easy air of one who has decided to take up personal supervision of a country estate. There was no sign of surprise that the job had come his way, nor of concern that he might not measure up to it. The main initial problem seemed to be for ministerial aides not used to being up at the crack of dawn. For Count Lambsdorff is a notoriously early riser, who seems to be through as much work by breakfast time as most people manage by lunch.

There was no real reason why the Economics Ministry should have held terrors for Otto Friedrich Wilhelm von der Wenge to give him his full name. For years he had served as economics spokesman for the parliamentary group of the Liberal Free Democrat Party (FDP), junior partner in the Bonn coalition Government. The political opposition had long experienced—but hardly become used to—his ironic onslaughts in the Bundestag. When Count Lambsdorff's party colleague, Dr. Hans Friderichs, resigned as Economics Minister to take up the leadership of the Dresdner Bank, there was really only one person in the running as successor.

Not only the opposition has been on the receiving end of Count Lambsdorff's barbs. No less than Dr. Friderichs he is a supporter of the free market economy and a fierce opponent of those who see state intervention as a cure-all for West Germany's structural woes. That puts him at odds with some of his own party as well as with

the left of the senior coalition partner. The Social Democrats (SPD), unlike Dr. Friderichs he had long, practical experience in the private sector before he took up politics. After the war (during which he lost a leg fighting on the Eastern Front) he studied law, later moving to banking—first to the Commerz, then to Bankhaus Trinkaus in Düsseldorf. He entered the Bundestag in 1973, became FDP economics spokesman and quickly made a name for himself. He started late in politics—he is now 51—but he moved fast once he was in.

It would be idle to suggest either that he exudes an aura of warmth or that his speeches always have a mass appeal. But it would be just as idle to deny that he is the clear crown prince in the FDP to the party chairman and Foreign Minister, Herr Hans Dietrich Genscher. Count Lambsdorff is not inclined to suffer fools gladly, often raises up the answers to questions which have not been fully framed and tends to fiddle with a paper knife when is getting bored, a sign that his interlocutor had best retire.

He would no doubt move to higher rank with the same ease with which he came to his present post—or if needs be—back to the private sector where, as he notes pragmatically, he would be paid a bigger salary.

Herr Matthöfer came to the Finance Ministry in February less from a sense of conviction than of duty. He spent a long time giving Chancellor Helmut Schmidt all the reasons why he should not take up the post—then, having received his marching orders, departed like an honest trooper for the front.

Since then he has been under constant fire but, somewhat to the surprise of his critics, no one has so far scored a direct hit. Herr Matthöfer would be the first to agree that the workings of the capital market, along the almost unfathomable mystery of the international monetary scene, have never been a major source of fascina-



Count Otto Lambsdorff



Hans Matthöfer

tion to him. His life has been dominated by the search for a solution to blunter, more practical problems (which has not stopped him learning English, French, Spanish and Russian and choosing Proust as his preferred author).

Those problems included the need to improve the lot of the foreign workers in West Germany and to strengthen the position of left-wing minorities under right-wing dictatorships abroad, notably in Franco's Spain. His reference to the successors of President Salvador Allende of Chile as "a band of murderers" was neither the first, nor the last, to disturb some of his colleagues inclined to a more diplomatic turn of phrase.

He was born in September, 1925, in Bochum in the Ruhr area, the son of a foundry worker who suffered liquid iron spilt on his foot and who was jobless for seven years. Hans worked first in a steelworks in his home town, was called up during the war at age 17 and afterwards moved strongly to the political Left as the most likely guarantee, in his view, of avoiding a further national catastrophe.

In Frankfurt he headed the Socialist Students' Organisation, founded a leftist paper—then spent two semesters studying in the U.S., at Madison, Wisconsin. Economics work later took him again to the U.S., this time to Washington, and also to Paris.

Before and after these foreign trips he worked for the Metalworkers Union, IG Metall, building up its scheme for employee education.

His parliamentary career, which began in 1964, was marked among other things by his battle for additional holidays for workers who wanted more education opportunities and for worker co-determination in industry. In 1972, under Chancellor Willy Brandt, he became Parliamentary State Secretary at the Technology Ministry, moved up two years later to become Minister—and reluctantly ceded that post in February for the finance job.

Asked a rather lengthy question recently about how he, a trade unionist, left-winger, critic of right-wing regimes, and advocate of a state role in the economy, could co-exist with an Economics Minister who was a former banker, a free-marketeer and count combined, Herr Matthöfer answered simply "splendidly."

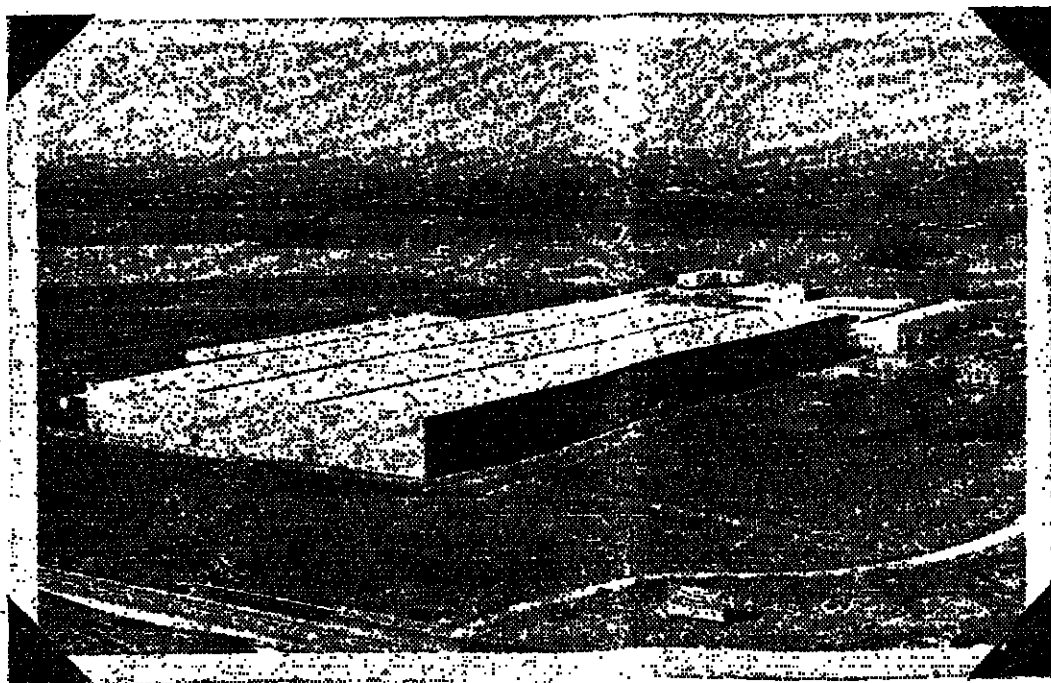
This may be a slight exaggeration. But Herr Matthöfer clearly has a highly developed sense of duty—and if he has a job to do he will get on with it, whatever the circumstances. He would surely be the preferred choice of the left of the SPD as successor if it were when Chancellor Schmidt stepped down. Whether that would make him Chancellor is another matter.

J.C.

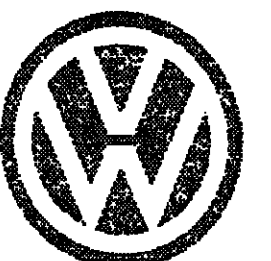
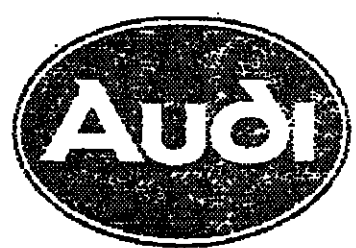
As a long-time trade union

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success, we've
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the country.**



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Frankfurter Allgemeine

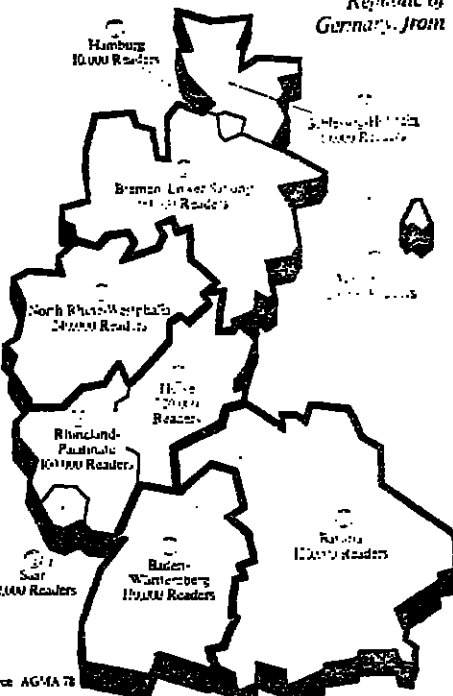
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WEST GERMANY VIII

EMPLOYMENT

Problems remain

THE LATEST West German employment figures, published earlier this month and covering September, brought the first good news from the labour market in a couple of years. The number of people out of work fell by almost 80,000 to a new level of 864,000, bringing the unemployment rate down from 4 to 3.8 per cent. A single month's figures are never, of course, enough to lead to firm conclusions, while with the onset of autumn some weather-related and other seasonal loss of jobs will no doubt weigh heavily on the negative side.

There is no more agreement among West German politicians and economists about what now constitutes full employment than there is in other industrial countries. In the late 1960s Professor Karl Schiller, then Economics Minister, was able to define full employment as a jobless rate of 0.8 per cent - a figure that was, indeed, attained under the boom conditions of the day. More recently Dr. Arthur Krümpel of the IFO Institute for Economic Research told a symposium in June that a more realistic figure might now be 2.2-2.5 per cent, implying a total of about 500,000 unemployed people. He went on, however, to warn that the goal of full employment through growth could probably not be achieved unless a sustained annual real growth rate of at least 5 per cent could be reached. At real GNP growth rates of even 4 per cent (a not unambitious goal compared to the 1.5 per cent average between 1974 and 1978), Dr. Krümpel concluded that unemployment would continue to rise.

Pleasing though this is, however, the roots of the West German unemployment problem have now become too well understood for anyone to claim a turning point has been reached. The economy has had its ups and downs since recession hit it in the wake of the 1973-74 oil price increase. Unemployment has, disappointingly, shown scarcely any response. The moderate pick-

up in the level of activity that made itself felt during the third quarter of this year, most experts would agree, is nowhere near strong enough yet to bring the jobless total significantly down towards the elusive goal of full employment.

In industrial training establishments are at last beginning to have some impact on the rate of unemployment among young people. It is particularly encouraging that the numbers of young people out of work should have dropped since September last year, since in addition to the normal seasonal crowd of school-leavers looking for their first jobs, this year has seen the beginning of the long-awaited demographic rise in the working-age population. Between now and the late 1980s, over 1m more people will be entering than leaving the West German labour market, thanks to a post-war "baby boom" that was later than in most other European countries.

In the next few years, as this suggests, the inflow of young people into the job market will accelerate. Yet strenuous efforts are being made to increase the vocational training places available. The total rose by 12 per cent to some 560,000 from 1976 to 1977; this year it should rise by nearly 17 per cent more. Within this figure, there is intended to be a disproportionate increase in places for girls, traditionally disadvantaged in vocational training.

Some progress has also been reported, though it shows up less clearly in the employment statistics, in the efforts of the authorities to find jobs for people in the other principal problem categories - the handicapped, older unemployed people and the one-third or more of unemployed women who want part-time work. At the end of September the Minister of Labour, Herr Herbert Ehrenberg, and the head of the autonomous Federal Labour Office, Herr Josef Stügel, pledged a new joint effort to improve the job counselling and placement services of the labour offices and to put them into closer touch with employers.

At the same time the Bonn government has been looking for ways to improve labour mobility, as part of an attempt to grapple with the major short-term anomaly of the labour market - the growing local shortages for skilled workers in such industries as motor manufacturing and construction, which tend to reduce to the

where conditions have been hard fact that they are all expensive. In its package of stimulatory measures currently before the Bundestag, the Government has proposed longer maternity leave and also a lower voluntary retirement age for handicapped people, steps that will be difficult and costly enough. A much more controversial topic this autumn may be the reworkings of contract talks in the Ruhr, where a reduction in the working week to 35 from 40 hours is on the list of union demands. Without a corresponding cut in wages, the employers are likely to argue that this stand to gain little from reshuffling schedules so as to take on a few more men now unemployed, but who would also bring with them high social security and related costs.

However, all these measures to make the labour market and the unemployment office system work better are, in the view of such economists as Dr. Krümpel, only scratching at the surface of the longer-term problem, which is one of over-supply of labour. Companies interviewed by an independent study commissioned by Herr Ehrenberg's department reported that they have on average, and irrespective of cyclical changes, reduced their workforces by 3 per cent since 1973, while also refining them by raising the proportion of qualified or trained employees. Few expect this trend to be reversed, given the wariness of German business about the longer-term outlook for profits and its consequent reluctance to undertake investment that would add to the labour force. One suggested solution is that the Government should - as it has indeed started to do - foster research, innovation and the formation of new companies. But an unavoidable corollary, in the IFO view, is that the number of people competing for jobs should be reduced.

Longer average schooling with improved career training, earlier optional retirement and a shortened working week are among the more realistic steps that are being debated. Each is surrounded by difficulties, which tend to reduce to the

aiming against conglomerate mergers the revision of the assumptions of market dominance which would make it more difficult for large enterprises to penetrate and gain dominance in markets mainly consisting of medium size and small enterprises.

In particular, the newly added section 23a creates a statutory assumption of paramount market position or of reinforcement, whenever an enterprise which had in the last business period a turnover of at least DM 2bn merges with another which either is active on a market in which small or middle-size enterprises hold a share of at least two thirds and the merging enterprises at least a share of 5 per cent or is market dominant on one or several markets which in the last calendar year reached an aggregate turnover of at least DM 10bn.

The other statutory assumption of market paramount position or its reinforcement concerns situations when the merging enterprises totalled a turnover of at least DM 10bn and two of the enterprises participating in the merger reached turnovers of at least DM 1bn each.

Further provisions provide statutory assumptions of market dominance for enterprises which are leading on a market, forming an oligopoly with an aggregate market share of 50 per cent. Merger control would also be applied to the acquisition of small and medium-sized enterprises so far excluded from such control.

The bill proposes also that provisions aimed against restrictive practices should be applied also to export cartels in which an enterprise with a seat in Germany participates, and to banks and insurance companies. These will be obliged to notify restrictive agreements. But there is an escape clause: Should no agreement be reached between the Cartel Office and the Banking Office and the Insurance Office, these could still be allowed by the Minister of Economics.

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COMPETITION

Defending the small man

A PROGRESSIVE "regimentation" and "de-liberalisation," said Herr Wolfgang Kartte recently, were the greatest dangers facing the market economy. Herr Kartte, the formidable President of the formidable Federal Cartel Office, was no doubt aiming his dart at Count Davignon's sect of heretics in Brussels. In Germany "Competition über Alles" remains second only to the national anthem.

But national anthems have a tendency of becoming a matter of lip service rather than of the heart. The circuit undertaken recently by Herr Kartte and other officials of the Cartel Office, holding court in several regional centres of Germany in order to assure small and medium-size entrepreneurs that the Cartel Office is their best friend, suggests that like Faust, Herr Kartte also knows the suffering caused by the co-existence of two souls in one man's breast. His anti-trust soul has now been joined by a second, albeit smaller, pro-trust one. It is all part of the process of growing out of a purely legalistic attitude to a more pragmatic one. Instead of seeing its task solely in contesting cartels and other restrictive practices, the Cartel Office now puts greater emphasis on those provisions of the law which enable small and medium-size entrepreneurs to join forces in order to resist the competition of the large groups. Cartels concluded between the not-so-big are being assured of benevolent scrutiny by the Cartel Office.

The larger anti-trust soul of Herr Kartte has now turned all its ardour towards preventing the big becoming still bigger. This objective should be easier to achieve after the fourth revision of the German Competition Act has been passed by Bonn legislature, which is now expected soon.

While waiting for the bill to be passed the hand of the Cartel Office has been considerably fortified by two court decisions. One was made by the Bundesgerichtshof (BGH) Supreme Court in February with the prohibition of the acquisition of Sachs, the leading German motor component maker, by

Guest Keen and Nettelfold, the leading British engineering group. The other decision was made by the Berlin Kammergericht (KG) (Appeal Court) on August 24, 1978, ordering Hoffman La Roche to reduce its price for valium and librium. In its GKN/Sachs judgment the BGH swept away two fundamental assumptions on which its previous decisions in anti-trust matters were based. These were that in a free market economy, entrepreneurial and managerial decisions should be interfered with only if government and courts are specifically authorised by statute to intervene and that, being based on innovation, the development of competition is unpredictable. Instead, the BGH established a new doctrine of "typical behaviour." It said that, though unpredictable, the behaviour of businessmen follows certain stereotypes which make prognosis possible. And the Cartel Office is, according to judgment, entitled to take into account not only immediate but also future changes in the conditions of competition which are seen as highly probable consequences of a proposed merger. The BGH further underlined that merger control is not concerned directly with behaviour, present or future, of dominant enterprises, but with structural changes which, by the disappearance of one of the competitors or the reinforcement of another for example, create preconditions for future changes in competition in a given market.

What really matters, said the Karlsruhe judges, is that GKN's financial power, together with the fact that 40 per cent of its turnover is in markets close to the clutch market in which Sachs is dominant, would frighten off any existing or potential competitors to Sachs.

The reasoning, with its emphasis on the psychological effect on competitors, follows the decision of the U.S. Supreme Court on Procter and Gamble's proposed acquisition of Chlorox, when it ruled that the Federal Trade Commission, opposing the deal, had no need to prove that the superior resources of the acquirer would be deployed to reinforce the position of the acquired enterprise.

This emphasis on the deterrent effect, combined with the green light to try to assess the distant future when considering consequences of a proposed merger and to take into account the interlocking effect on unrelated but not too distant markets within a conglomerate group - all this will increase the power of the Federal Cartel Office not only to stop conglomerate mergers of large companies but also to proceed with new vigour when combating abuses of market power and restrictive practices of all sorts.

The KG decision that Roche must reduce its prices of valium and librium by 24 per cent is not later than December 7 1978 the merging enterprises at least a share of 5 per cent or is market dominant on one or several markets which in the last calendar year reached an aggregate turnover of at least DM 10bn.

The bill proposes also that provisions aimed against restrictive practices should be applied also to export cartels in which an enterprise with a seat in Germany participates, and to banks and insurance companies. These will be obliged to notify restrictive agreements. But there is an escape clause: Should no agreement be reached between the Cartel Office and the Banking Office and the Insurance Office, these could still be allowed by the Minister of Economics.

WEST GERMANY IX

TRADES UNIONS

Looking for a new solution

THE WEST GERMAN version of the social contract, which has been coming in for a good deal of admiring interest in Britain this year, is under unprecedented strain at home—so much so, that trade union leaders, officials of employers' organisations and ministers have all been wondering aloud whether it can survive without far-reaching change. The trades unions, in particular, appear to face problems that can no longer be approached through the singularly West German combination of legal formality, mixed with behind-the-scenes accommodation, that has given the Federal Republic nearly three decades of enviable industrial peace.

Two broad issues are uppermost among the German trade unions' concerns. One is, how to reconcile their members' expectations of a steadily increasing standard of living with unemployment still stubbornly at the 1m level, and with the uncomfortable fact that this standard of living, coupled with the rising Deutschemark, has made German workers increasingly unattractive to employers compared to the alternative—machines. The second theme arises from the unions' pursuit over many years of a more elusive goal, that of real social parity for working people, now that enactment of the 1976 workers' co-determination (Mitbestimmung) Act has been followed by widespread and sometimes bitter disappointment.

Until a year ago, machinery in which such questions might have been discussed was available in the form of the "concerted action" meetings held two or three times a year with employers' leaders, ministers, the president of the Bundesbank and other representatives. The meetings had the primary purpose of getting agreement on the medium-term economic outlook, from which could be further decided how much scope would exist for wage and price increases. The unions came to feel, however, that the

concerted action meetings had become stacked against them, with an increasing number of institutions represented who had little directly to do with industrial relations. In July, 1977, the Deutsche Gewerkschaftsbund (DGB), the umbrella body comparable to the British Trades Union Congress, declined to attend further concerted action meetings. Although its immediate pretext was the employers' constitutional court lawsuit challenging the Mitbestimmung Act, years of pent-up frustration found expression in the boycott.

Since then Count Otto Lambsdorff, the Free Democrat Minister of Economics, who is no favourite of the unions, has tried hard but without success to reconvene the meetings. There have been some personal contacts between the DGB chairman, Herr Heinz-Oskar Vetter, and his opposite number at the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA), employers' federation, Herr Otto Esser, with agreement jointly to study unemployment. Yet Herr Esser has made clear that the lawsuit, testing the Mitbestimmung Act's bearing on the constitutional right to private property, will be pursued up to a judgment—leaving no choice to the DGB and its affiliated unions but to stay away from the concerted action forum.

In forming this year's wage settlements, the collapse of the concerted action mechanism seems, admittedly, to have made little difference. In June, the last month for which figures are available, actual monthly incomes were running only 5.5 per cent higher than a year previously—the precise percentage set as the Government's maximum estimate of what the economy could afford this year. Yet this result was achieved at the cost of a long and highly damaging series of stoppages in the south-west German metalworking and engineering industry, which in turn helped effectively to stunt real gross national product growth for the whole first quarter of the year. It can be argued that the



Trades union leaders Heinz Kluncker (left), Eugen Loderer (centre) and Franz Steinkühler join striking metal workers in Stuttgart in March.

excessively rational, almost sanitised atmosphere of German industrial relations needs a good, hard-fought strike from time to time in order to bring to the surface, and then to resolve, the real anger and sense of mistrust that are often hidden behind the dry terms of the public bargaining process. Few would make that case for this spring's stoppages in the metalworking industry or, for that matter, those in the newspaper industry. The disputes brought out a good deal of bitterness and raised matters of deep concern. But they have

provided more questions than answers. The south-west metal strike saw the regional employers (who include Daimler-Benz, Robert Bosch and other industrial majors) ranged against the biggest West German union, Industriegewerkschaft - Metall, led by its able Stuttgart area boss, Herr Franz Steinkühler. Although the ostensible issue was pay, both sides were much more interested in IG-Metall's insistence that the new contract must include clauses protecting workers both from losing their jobs to labour-saving machinery

and from being downgraded in the process from skilled to unskilled pay scales. Herr Steinkühler, who had assumed that the consternation of employers in every industry, but at a heavy cost. Both in the metal industry strike and in the newspaper strike, which also turned on the job security of skilled men in the face of automation, the employers reacted aggressively—they would say defensively—by widespread use of the lock-out. This tactic, used in retaliation against selective strikes on the part of the unions, has

in Chancellor Helmut Schmidt's Social Democratic Party for their outraced claim that the lock-out, affecting union and non-union workers alike, is offensive and unconstitutional. The employers, on the other hand, seem prepared to fight to the last for their strongly-held view that it is a symmetrical weapon to the right to strike, and that without it, they would be at the mercy of over-mighty unions able to dictate their own terms.

A few years ago it might have been possible to dismiss all this as rhetoric. What is different now is that each side appears fully to mean what it says when it speaks of the other in terms of a return to class struggle and to the attitudes of the past. This worrying degree of mutual mistrust can be seen even more clearly in the Mitbestimmung arena. The unions are disappointed that the 1976 Act, fully in force since July 1, has not given them either complete parity of the final say over who sits on the (numerically equal) supervisory board on the employees' side of the table. Their leaders have darkly suggested that many companies will somehow try to cheat. Herr Vetter has objected to having to win union rights through the courts and has urged workers to fight for real co-determination at the bargaining table.

Defensive

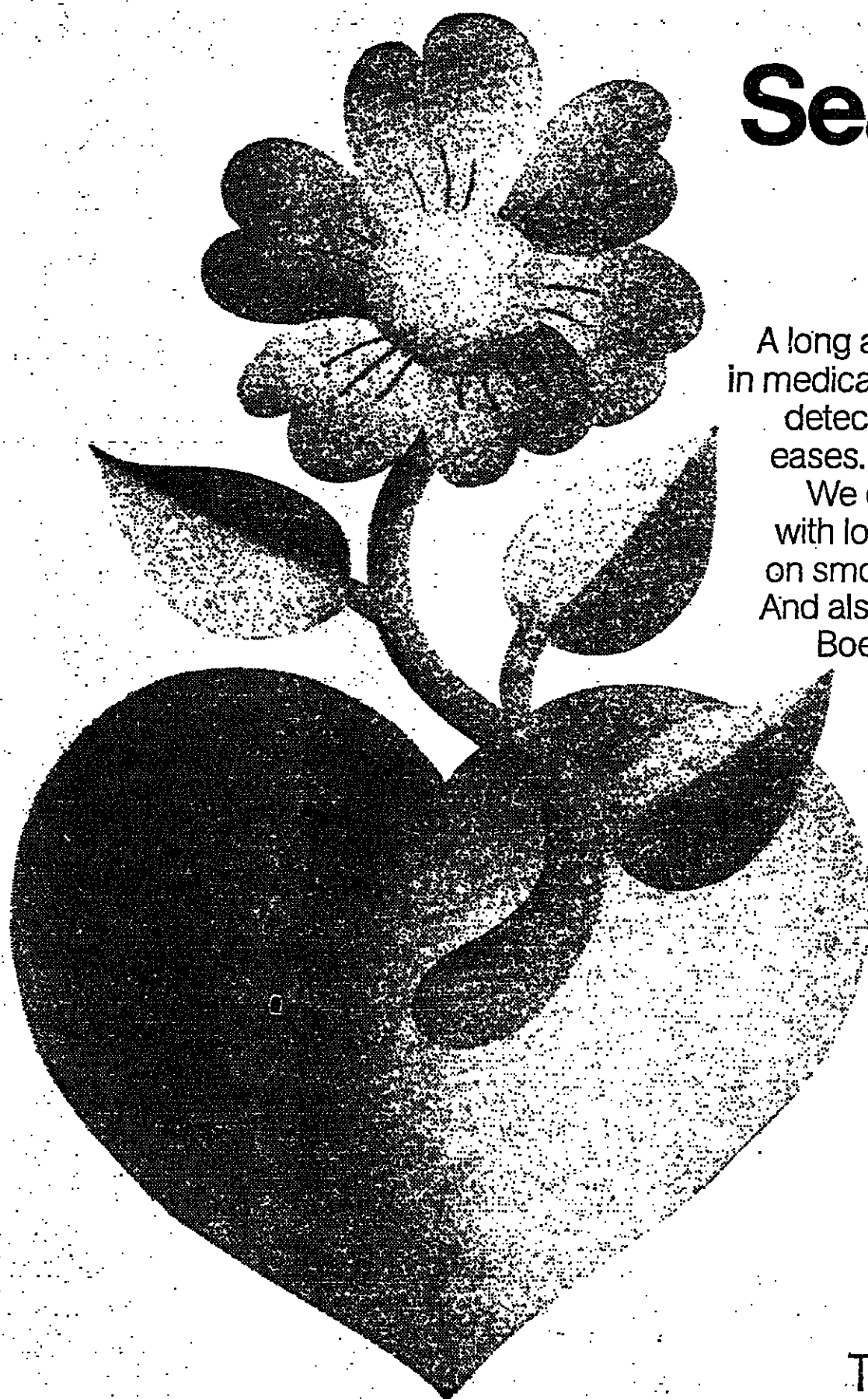
Managements, for their part, have in many cases entered the new era with a deeply defensive attitude. Some fear that union-appointed members of the newly constituted supervisory boards will leak confidential financial information. Others refer in what is supposed to be a forum for jointly planning the future, as a sort of adversary proceeding composed of warring factions. Such ideas from both unions and managements, do little credit to what German industrial relations has actually achieved in the past 30 years.

What accounts for the had blood between the two sides of industry? Will it pass now that the economic outlook is once again brighter?

It is clear enough why German companies should feel they have their backs to the wall. What they regard as new encroachment by the unions comes after several bad financial years for most, apart from the motor industry, and at a time when German wage costs are unarguably the world's highest. They deeply fear being prevented from undertaking further investment that would raise the productivity of these expensive employees, and in the process inevitably do away with many of their jobs. If it were left to the old-fashioned style of negotiating between top union leaders and employers' chiefs, rational solutions might not be too hard to find. Union leaders make as many speeches, deploring Luddism, and appealing for German competitiveness to be protected, as do businessmen. The union leaders themselves, however, are nowadays men under a lot of pressure from below, challenged both by the new breed of university-educated intellectuals who have made careers in trade union administration, and by plain discontent in works council elections at the Daimler-Benz factory at Unter-
türkheim, near Stuttgart, by a dissident group of ex-members was only the most dramatic of a series of similar outbursts of impatience by workers who feel their leaders are often too close to the employers.

As the debate mounts over how to reconcile job security with technological advance, and how to reduce unemployment and protect living standards at the same time, the unions seem to feel themselves rather isolated. As Herr Vetter has made clear in recent speeches both on Mitbestimmung and on the tax cut package currently before Parliament, the union movement is thoroughly fed up with the Social Democrats, its traditional political ally. Looking for new solutions that make economic sense, and at the same time carrying the rank and file with them, are tasks that will weigh heavily on the unions' veteran leaders.

A.D.



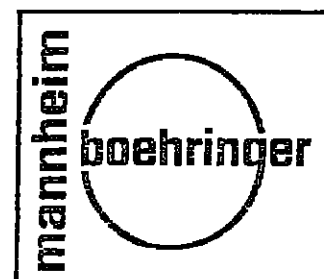
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WEST GERMANY X

THE STOCK MARKET

Steady rise in prices

GERMAN SHARE indices have been climbing steadily since May after a long, slack period of more or less sideways movement. The last substantial bull market, which took shares up by over 50 per cent between the beginning of 1975 and March, 1976, petered out as the German economy proved itself unable to pull more than half-way out of recession. It has taken more than two years to gather the momentum for a further significant advance.

The market's present strength, which originated from technical factors, is being sustained by an improvement in the fundamental position of the economy. Buying interest earlier this year very largely stemmed from the German Government's tax reforms, which did away with the corporate tax differential between retained and distributed profits and allowed the shareholder to offset all the advance corporation tax paid on his dividend against federal income-tax.

This has been hard on the foreign investor, who pays no federal income-tax in the first place, as companies have been able to cut their cash dividends while still greatly increasing the total payout to their German shareholders. Every German shareholder loves a tax concession, not least the insurance companies, which came back to the equity market in force.

Both institutions and private buyers began to commit new funds to shares but there was also some switching out of bonds, particularly as it seemed that scope for capital gains was

limited as interest rates have been climbing steadily since the early summer the Bundesbank, which acts as the Government broker in the bond market and intervenes actively in both directions to maintain stability in the massive scale. More recently the bond market has settled down and a more usual relationship between the flow of cash into equities and fixed-gather the momentum for a interest stocks has been re-established, allowing the Bundesbank to sell around DM30m of bonds every day.

Over the last few months the outlook for the German economy has perceptibly brightened. Output is rising, order books are fuller than for years, growth is speeding up. On top of this there has been a clear improvement in industrial profitability, shown to good advantage in the giant chemical firms BASF, Bayer and Hoechst which, as well as providing a barometer of the general health of German industry have a weighting of 13 per cent in the FAZ stock index. These trends have underpinned the existing advance in equities and given the market fundamental strength.

Curiously enough, the blue chip stocks have not made the running in the present bull phase. Investors were piling into some second line stocks with relatively high yields to take full advantage of the tax concessions, but in some cases there was frankly speculative demand for recovery shares that either hardly earned their dividend or paid none at all.

The institutions seemed to be becoming more daring.

Thus in the heavily traded department store sector shares like Herten and Neckermann outperformed the higher-rated Karstadt and Kaufhof, while the construction sector, formidably depressed for several years now, has also recovered strongly in anticipation of higher consumer spending. Meanwhile industrial shares such as Siemens and Mannesmann have been relatively lagging behind. One of the reasons for the widely-held belief that the market still has a long way to go is precisely that the shares with the heaviest index weightings have so far underperformed. The German markets are dominated by the banks, which act as brokers and principals, not being prevented from holding substantial equity stakes in non-financial companies. There are signs that the banks are putting their clients back into major industrials, while foreign demand, particularly from Arab institutions, for German blue chip shares as an alternative to D-mark foreign bonds has been growing. Institutional liquidity is still very high in Germany itself.

The German stock markets have a strange love/hate relationship with the D-mark. Sharp falls in the dollar late last year and early this year often led to a downward reaction in shares on the argument that German export competitiveness was in peril. It is interesting to note that the Swiss bourses have been quite unable to shrug off the admittedly much more dramatic rise in the Swiss franc, while in Japan export-oriented shares have been under a cloud during the Tokyo Stock Exchange's long bull market. In Germany, however, dollar-induced drops in the market have not lasted long this year: for one thing, as mentioned above, shares have become a haven for money fleeing from the dollar; after all, Bayer is yielding 6.5 per cent, as much or more than a 10-year German government bond. Also, however much German exporters may complain for 15 years—the experience has recently shown that the overshooting of the central bank money stock target has not fed through into consumer credit expansion, and the market prefers to be reassured by the retail price index than interest rates may rise early next year if industrial demand for funds increases. This would be a little difficulty in the market's confidence has been enormously helped by the

DM50m deal with China to modernise the country's coal industry. This has been taken as conclusive proof that Germany is in a position to at least a major part of it—remains internationally competitive on the widest scale despite the weakness of the dollar. The persistently high trade surplus is a monthly reminder of this. The market is anxious that the dollar/mark rate should be stable rather than wildly fluctuating, but it does not seem to be unduly worried by the present level of around DM1.80 for the dollar.

Another example of the market's ability to firm in the face of bad news is its tolerance of the excessive money stock expansion which largely results from the Bundesbank's selling D-marks to the banking system in exchange for dollars. Experience has recently shown that the overshooting of the central bank money stock target has not fed through into consumer credit expansion, and the market prefers to be reassured by the retail price index than interest rates may rise early next year if industrial demand for funds increases. This would be a little difficulty in the market's confidence has been enormously helped by the

could lead to some reduction of the public sector 1979 deficit from the expected DM 60bn, or so, and lower the Government's funding requirement.

The outlook for the German equity market looks excellent, then, unless the gradual recovery in economic growth seems to be under way in Germany is in some way aborted. For the bond market, the medium-term prospects are not so clear, particularly considering the vast expansion of borrowing by the German Government and by fund-raising in D-mark-denominated Eurobonds, but the domestic market will presumably be supported by the Bundesbank if necessary.

A visitor to Frankfurt may go to the Bourse at one o'clock and sit at the back of the little room where the currency fixing is taking place: representatives of the banks sit at desks, each with a telephone to his dealing room; there is a chairman and there, a little aloof, sits the Bundesbank representative. Perhaps it will be one of those days when the dollar is being sold down—the Bundesbank man raises his hand to buy 20m. It is oddly undramatic. The Stock Exchange floor, ten yards away, has learned to live with it.

Martin Taylor

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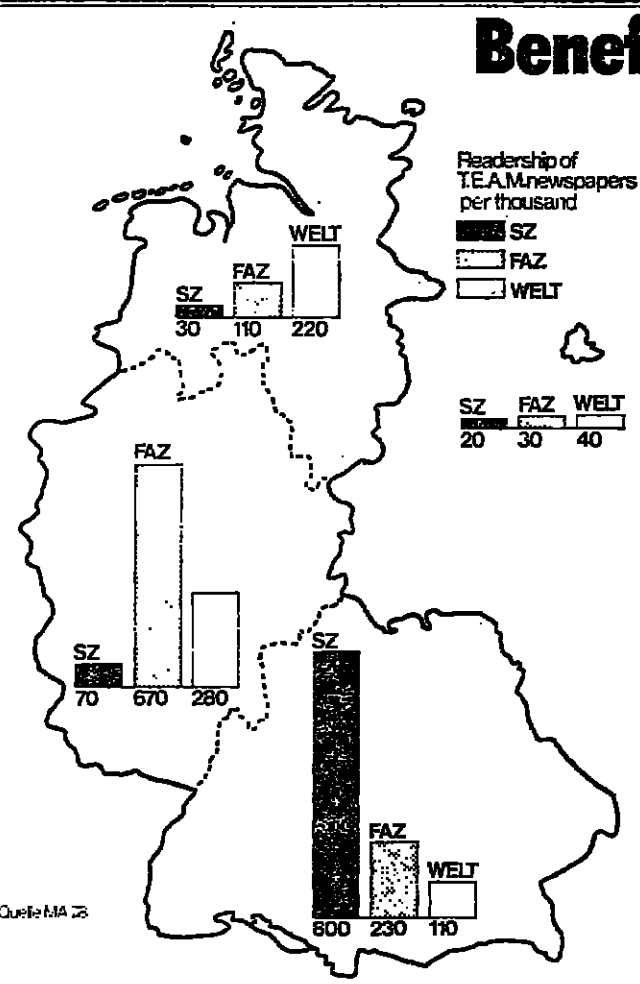
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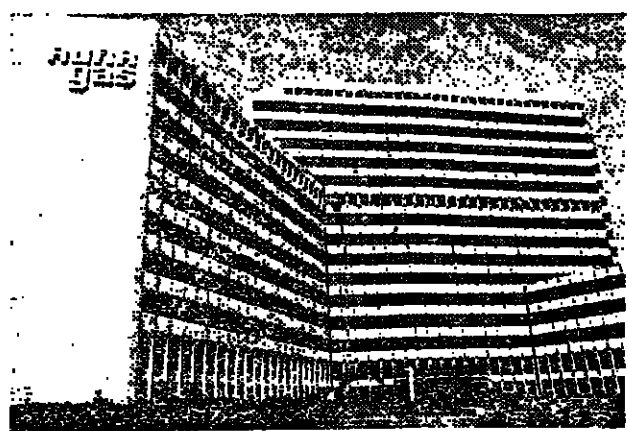
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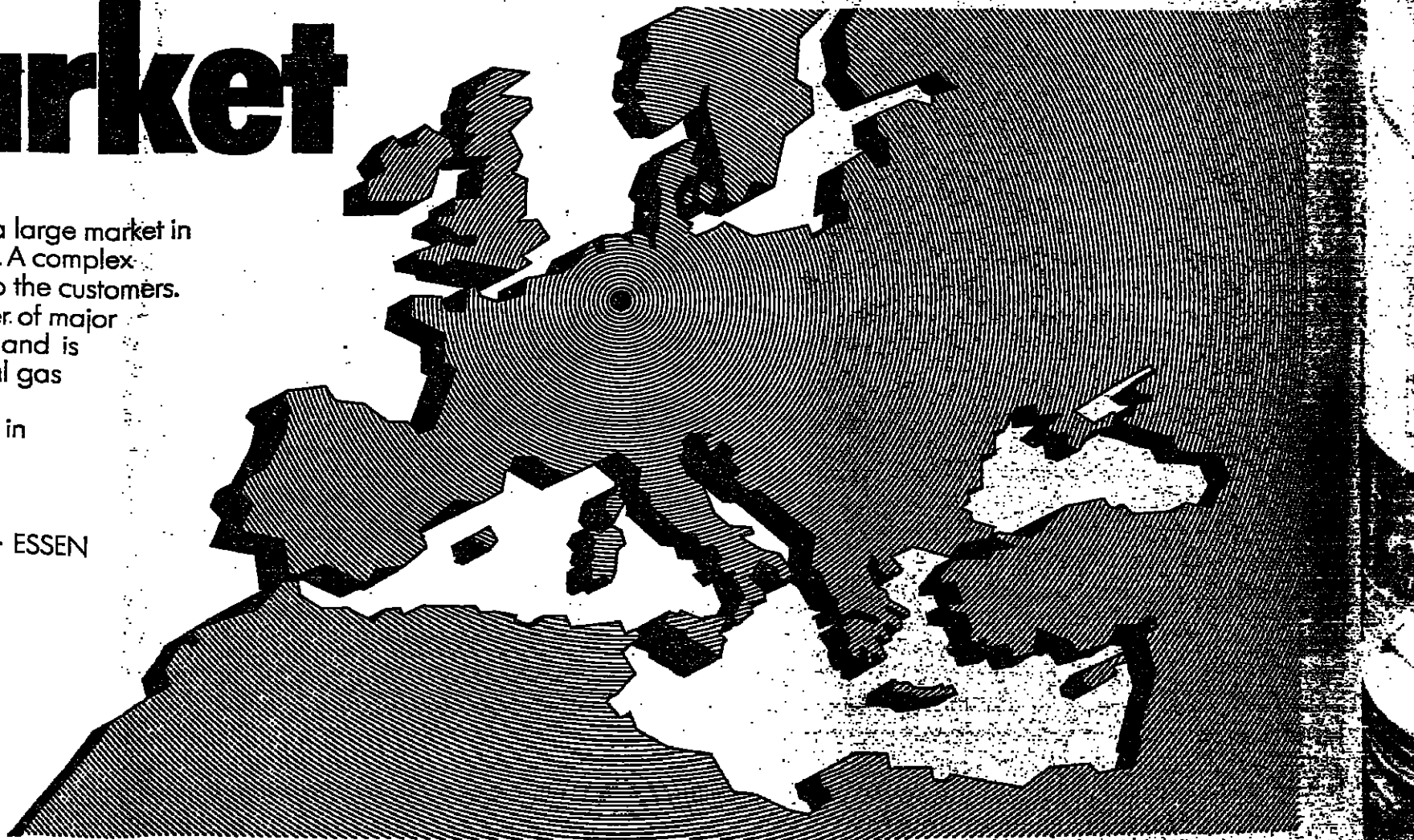
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WEST GERMANY XI

BANKING

Benefits of freedom

THE CASUAL observer might well be forgiven for thinking that the West German banking scene was dominated by three large commercial banks—the Deutsche Bank, the Dresdner Bank and Commerzbank.

But although these mighty institutions exert a tremendous influence on the market, the bulk of West Germany's banks lie in the hands of the public authorities and the co-operative movement.

Figures published by the Bundesbank, the Federal Republic's central bank, indicate that at the end of last year the aggregate business volume of the country's banking industry stood at about DM 1,750bn—more than three times the DM 456.8m recorded at the end of 1965. But of this massive total, only some DM 427m was attributable to the private sector.

In comparison, the combined business volumes of the public authority and co-operative banks totalled more than DM 1,300 bn. The combined business volumes of the savings banks' central institutions, the Landesbanks, amounted to DM 677.4bn while that of the co-operative movements banking operations totalled DM 244.5bn.

However, the public and co-operative sectors do not exert the overwhelming influence that their massive aggregate business volume suggests. Both sectors are greatly fragmented. In the public sector there are 12 Landesbanks and some 620 savings banks—some very small indeed.

The co-operative sector, is made up of even smaller components and boasts some 11 central institutions which have the job of collecting and re-depositing the excess funds of some 2,350 individual co-operative banks.

Things are far more concentrated in the commercial sector, however. Of the 3,477 banks reporting to the Bundesbank at the end of last year, only 273 were in the private commercial sector. Admittedly the "big three"—the aggregate business volume of which totalled about DM180bn or 42 per cent of the private sector's aggregate—stood head and shoulders above the rest of the field.

The combined business volumes of the remaining regional and other commercial banks amounted to just under DM 185bn, while next in line came the DM 33bn volume of the 51 branches of foreign banks operating in the Federal Republic. Finally, there are the 104 private bankers operating in the country who reported a business volume of just over DM 30bn.

Key to the industry's growth

is the considerable degree of freedom allowed by the Federal Republic's universal banking system. Unlike Britain and the United States, where investment and deposit banking functions are separated by law, the German banks are free to offer the entire gamut of banking services under one roof.

They hold the nation's savings, provide industry with finance, act as investment institutions, offer stock-brokerage services and investment advice. They also own a substantial chunk of the country's industry as well as controlling far more than they own through the exercise of the voting rights on the shares deposited with them.

In theory at least, the prime beneficiaries of the massive freedom of movement is the commercial sector. The commercial banks, operating as public or private companies, and the private bankers are not fettered with the restraints and restrictions imposed upon the public authority institutions.

But not only are West German banking regulations extremely strictly applied to the commercial banks, the public authority banks have in many cases taken the view that it is their duty to offer hard competition to the private sector. Indeed, in practical terms of methods of operating, it is often extremely difficult to tell one from the other.

Furthermore, there have been almost as many scandals in the public sector as in the realm of private banking—the only difference being that the sums of money involved have been very much larger in the public sector scandals.

It is not unfair to say that the case of the Landesbanks, the 1970s have seen the exercise of formerly dormant power—marked by mistakes which should never have happened. The powerful Westdeutsche Landesbank, for instance, lost some DM 300m in the foreign exchange markets during 1974, while in 1975 the Hessische Landesbank's shareholders—the local authority-owned savings banks and the State of Hesse—were forced to make provision for losses and potential losses to the tune of DM 2.2bn.

The Westdeutsche Landesbank's losses were rooted in insufficient senior-level supervision of the foreign exchange department, while the Hessische Landesbank's stemmed from speculative involvement in property—in some instances well outside the State itself.

Although it can reasonably be argued that such affairs were growing pains and unlikely to be repeated, the sums involved were huge and the events will for long be remembered.

There is little love lost

between the commercial sector and the Landesbanks. The commercial bankers complain that the Landesbanks offer unfair competition because of their access to cheap long-term funds and their close links with State and local government.

They also allege that they have only limited experience in the international market place and that they force down margins as they do not have to satisfy private shareholders' demands for improved profits.

Certainly the Landesbanks have much easier access to long-term funds than their private competitors, but the business they undertake for their State government is scarcely profitable.

Furthermore, they are under constant pressure to hold down the price of services they perform for the savings banks—their major shareholders. This is a considerable spur for them to seek commercial profits.

Accusations that the Landesbanks "lack experience" in international business certainly hold water in the case of many of the smaller banks. But the public sector has recruited a number of leading bankers from the commercial field, as well as attracting many ambitious young men who see the Landesbanks as providing a faster road to the top.

Not only that—the Landesbanks argue, with some justification, that they are under pressure from the savings banks to provide them with sophisticated overseas services in order that they can prevent the commercial banks from poaching their plump customers—the successful local businesses—which would otherwise have no alternative but to go to the commercial banks for export services.

However, it is claimed that there is a growing feeling among state politicians that the Landesbanks should take the emphasis off overseas profits and turn towards encouraging the development of the State itself. Be that as it may, it seems fair to predict a slow down in the rate of the larger banks' overseas business.

This is just as likely to be because the foreign business of such banks as the Westdeutsche Landesbank has reached such a size that faster growth rate is neither feasible nor desirable. But with some 30 per cent of its profits generated overseas only the naive would expect them to abandon such a handsome source of revenue.

The pre-occupation of both sectors with overseas business reflects the increasing importance of foreign operations to profits. The West German commercial banks were relatively slow in setting up abroad,

although they had a head start on the Landesbanks.

For many years after World War Two, the country's banks were stretched to the limit to provide the fund for re-constructing the war shattered economy. Even when this pressure eased off, their moves overseas were tentative and even to-day they still lag considerably behind the Americans and the British.

However, since the late 1960s their pace of growth abroad has rapidly increased and all of the major banks have branches, representative offices or correspondences in the important banking centres. The majority of the leading banks derive at least 30 per cent of their profits in the foreign arena and British and American banks are feeling the heat of their competition.

German banks have been making inroads into traditionally British and American preserves—particularly the Middle East where they have established a high reputation. There they are not only offering the full gamut of advisory services, but are also understood to be handling considerable sums of Arab-owned investment capital through their Luxembourg subsidiaries.

Competition, however, is a two-edged sword and the West German banks are feeling it in their own back yard—as increasing numbers of foreign banks are setting up in centres such as Frankfurt and Düsseldorf. They are attracted not only by the large—though quiet—West German industrial

lending market, but the foreign exchange business and Euro-market that is second only to London.

The foreign banks are by no means entirely happy with the way in which the German banking world operates. They claim that the market is controlled by the major banks, particularly in the industrial lending sphere where the banks are able to use their massive industrial holdings to their own advantage.

It is not only the foreign banks who are playing critic. The banks are under official scrutiny to determine whether or not their power is too great and there is strong lobby in support of clipping their wings.

Against this, many would argue that the very scope of operation which the universal banking system gives them acts as a curb against the abuse of their trust. So much is at stake that they must not only be blameless, but also be seen to be above suspicion.

The universal banking system has served Germany well in the past. Without it, it is unlikely that there would have been an economic miracle. Furthermore, if the banks' industrial holdings were severely reduced, their important work in rescuing ailing companies would become all but impossible, thrusting the burden on an unwilling state.

Naturally, there is always room for improvement, but far-reaching "reforms" carry the risk of throwing the baby out with the bath water.

Guy Hawtin

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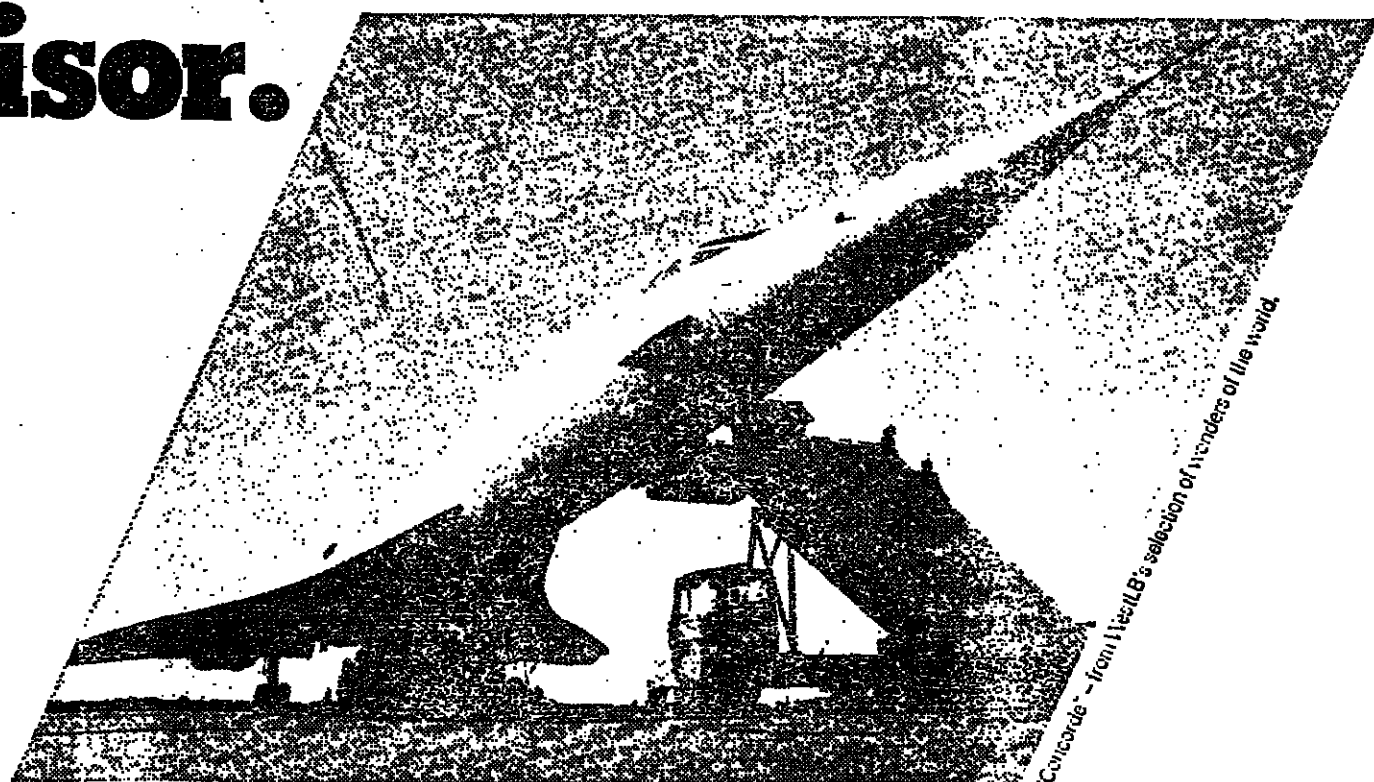
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WEST GERMANY XII

FARMING

Doing well out of the EEC

THE YEAR past has been remarkable for a spirited attack by Mr. Christopher Tugendhat, Commissioner for the EEC, on what he inferred was the hypocrisy of the German Government, which complained of paying much of the cost of the EEC, while at the same time being the largest beneficiary of EEC subsidies for the intervention and disposal of surplus stocks, particularly of dairy products and beef. This attack, which was initiated in Munich, right on the doorstep of Dr. Ertl, the Minister of Agriculture, brought an instant but unconvincing defence.

Basically it was admitted that West German intervention stocks might be high. But many of these originated in other parts of the Community, even as far away as Ireland. They were drawn into Germany by the strength of the D-Mark, which, in spite of the Monetary Compensatory Amounts, designed to equalise prices between member countries, still managed to show a profit to the exporters.

In addition Dr. Ertl himself has defended in no uncertain terms the social efficiency of the German system. The many small and part-time farms inter-mixed with industry in rural areas have produced a balanced population. He has shown no inclination to change present policy.

Germany has a number of schemes for encouraging structural reform, i.e. enlarging farm holdings, but while these may slowly reduce the number of farms, it will be only to the benefit of those remaining and do nothing to reduce surpluses. To illustrate this: in the four years December, 1974-77, the number of dairy cow keepers fell to 80,000 or 13 per cent. During the period cow numbers increased marginally by about 0.6 per cent while milk delivered to dairies went up by 7 per cent, mainly due to an increase in yield per cow.

German yields per cow are quite good, ranking fourth in the Community league table after the Netherlands, the United Kingdom and Denmark. There is no doubt that, should the cattle population follow the example of the Netherlands and become 100 per cent Friesian, output would be a great deal higher. Already in recorded herds German production is on a par with that of the other countries.

Although in terms of structure German dairy farms are among the smallest in the Community, it is doubtful if there could be a move to larger

COMPARISON OF FARM OUTPUT, GERMANY AND UK, '000 tonnes

| | 1977 | 1977 | 1977-78 | 1978 | 1977 |
|--------------------|---------------|--------|---------|---------|---------|
| | Beef and veal | Milk | Sugar | Pigmeat | Cereals |
| West Germany | 1,413 | 29,581 | 3,075 | 2,527 | 27,489 |
| UK | 1,029 | 14,558 | 1,033 | 818 | 16,955 |

FARM NUMBERS, 1977

| | | % of farmers | % total area | Average size holding, ha. |
|----------------|---------|--------------|--------------|---------------------------|
| Full time ... | 405,800 | 47 | 72 | 22.19 |
| Part time ... | 116,700 | 14 | 12 | 12.33 |
| Spare time ... | 339,400 | 39 | 14 | 5.87 |
| | 861,900 | | | |

herds in the foreseeable future. This is partly because of the high cost of land due to a reluctance of farmers to give up farming, but also to the fact that on the larger farms, where profitable cash crops can be grown, the tendency is to get rid of the cows. Employed cowmen's wages are very high, and the high prices of cereals make grain growing very attractive.

In terms of milk utilisation, the West German consumption of fresh cream, yoghurt, and cheese have increased marginally over the past five years, but the butter and skimmed milk powder are much in excess of consumption. Butter output is increasing, while consumption is falling at roughly the same rate. It is very difficult to see how in the face of a government which does not appear to wish to take any action which would upset its farmers, the EEC Commission will be able to do anything to restrict the rising output of German dairy farms.

The same trend of surplus production appears to affect pigs. But in this case there is no intervention or other price support system except for ECAs on EEC imports, and these are imports from third countries, of which there are few as Germany is mainly self-sufficient.

The number of breeding sows has been rising steadily since 1974, and at nearly 2.5m is far the largest herd in the Community, and about three times the size of that in Britain. Again it is mainly a small-scale operation. The average number of sows has risen from 10 per farm to 9.8 over the period, and the total number of pigs per holding has gone up from 27 to 33.

At the same time prices in common with those of most of the rest of the Community, have fallen quite sharply over the past year, and are now little above those obtaining on the British market, while barley, the traditional feed constituent of most pig rations, is considerably dearer.

This situation can only be rectified if numbers fall. One immediate consequence, has been a veritable onslaught on the British market by both Danes and Dutch, who find that they are unable to sell pigmeat profitably on the German market, because of the combination of low prices and the high monetary compensatory amounts imposed in order to protect German farmers.

Concern

This is a matter of great concern, particularly to the Danes, who looked upon Germany as one of their main export markets. But it is difficult to see how anything can or will be done about it. German farmers have two great advantages in the provision of feeding stuffs. They grow far more of the feed requirements on their own farms, particularly potatoes. Also the strength of the D-Mark vis-a-vis the dollar, in particular, enables them to buy other non-leveled materials more cheaply in relation to their final output cost than those countries with weaker currencies.

Germany is not yet a net exporter of pigmeat, but it is quite possible that it could become one very soon.

The country is almost sufficient in sugar and cereal production, and is steadily increasing its self-sufficiency as well as its rates of progress, all very creditable achievements for a country as large as the U.K. but with rather little land.

Nevertheless, it is a formidable problem for the Community, and by any criterion its earnings from exports to purchase raw materials, where, just as Britain, the 19th and 20th centuries, in which this position was implemented, would have been a net importer of raw materials, which German farmers, their politicians, and their government, refused to consider.

John Cherrington

NUCLEAR POWER Energy option of last resort

IT IS estimated that West Germany spent about DM 5m to mount its national display at the Nuclex nuclear industries exhibition and congress in Basle this month. Only the French could compete with such an outlay. It is a measure of the confidence of German industry in a technology from which it was excluded until the mid-1950s, but to the advancement of which it has contributed handsomely ever since.

Yet for political reasons nuclear power has been downgraded from the status of providing West Germany with reasonable assurance of energy independence—a status it still enjoys in France, for instance—to that of being the energy option of last resort. It has built up the nuclear proportion of the electricity system to about 13 per cent. But it has frozen six projects because of objections to plant siting—in one case after the utility had invested some DM 500m. Meanwhile, in order to make any kind of economic sense of current political enthusiasm for coal this fuel must be imported from Poland and even Australia.

The latest West German energy programme, made public last year, lowers the nuclear target for the second time since 1973. The figure that year was 45,000-50,000 MW on-line by 1985—45 per cent of the nation's electricity. The reactor design and construction industry invested in the capacity to build more than seven large nuclear units a year. But the target figure fell—first to 30,000 MW, and most recently to 24,000 MW by 1985. This will be only about 29 per cent of generating capacity.

The position today is that the nuclear industry has ten units in operation, totalling over 7,000 MW, and another nine under construction in Germany, totalling 8,400 MW. In addition it is building seven units for export and holds a further four "letters of intent." Kraftwerk Union (KWU), the Siemens power plant subsidiary, overwhelmingly the dominant company, has an order book at present worth about DM 28bn (£6.5bn), some 90 per cent of which is for nuclear technology. Understandably, KWU is unhappy about this heavy preponderance of nuclear business. It would be happier with about 30 per cent of non-nuclear plant. One reason is not difficult to seek when one considers the ease with which regional authorities have been able to revoke permission for nuclear construction. It has had no

orders this year but this now looks very doubtful, because of Iran's economic troubles.

A third reason why KWU would like to be less heavily dependent upon nuclear business is because its nuclear accounting is more transparent than that of its rivals—"pockets of glass" as Mr. Barthelt sees his business. It made a profit for the first time in 1976 but has gone back into the red. Now that KWU is wholly owned by Siemens, future accounts will be reported only as part of the group—one which claims to have 3 per cent of world sales of all electro-technology. There is also relief in the company that all parties have now agreed on the limit of the liability—DM 1,215m—for the five boiling water reactors under construction, for which AEG, Siemens' former partner, originally had responsibility.

Development projects have not proved immune to the problems of licensing nuclear plants in West Germany. Hochtemperatur-Kernkraftwerk (HTK) has recently admitted further delays in the 300 MW demonstration "pebble-bed" high-temperature reactor. The original estimate of 81 months for completion has expanded to 108 months; and the cost has increased from DM 885m in 1973 to an estimated DM 1,755m today.

The licensing authority for the SNR 300 fast reactor under construction at Kalkar is going so far as to argue that it should be adapted to a different kind of fuel cycle—an "incinerator" of plutonium rather than a breeder of fresh plutonium—in the belief that this would reduce the risks from plutonium proliferation. The project, which has already absorbed over DM 1bn since it began five years ago, would certainly be delayed by any such change.

In his annual review of German nuclear activities at the general conference of the International Atomic Energy Agency last month, State Secretary H. H. Haunschild stressed the extent of Germany's commitment to preventing proliferation. The West German Government and the IAEA had just agreed, he said, on a joint programme for strengthening safeguards against proliferation involving 30 projects to be carried out in national and industrial research centres. But everyone was aware, he said, that "to obtain nuclear weapons by way of a civilian nuclear power programme is the most expensive method, and there could be a move to larger

CONTINUED ON NEXT PAGE

EDUCATION

System in a state of turmoil

FOR AT least a decade, the West German education system has been in ferment. Education policy has now reached a stage where virtually nothing is moving, where lots of administrative bodies have been set up to bring progress but have served largely to inflate the bureaucracy.

There are many reasons. Under West Germany's Federal system Bonn is allowed only a supervisory function in education matters. The real responsibility lies with the Länder (the states), which confer on school and university policy through a "Standing Conference of Federal Culture Ministers." The Länder governed by the Christian Democratic Union (CDU) balk at most of the education policy recommendations made by the Social Democrat-Free Democrat (SPD-FDP) Government coalition in Bonn. This is so although they initially went along with the broad lines of these proposals when they were presented as an "Overall education plan" (Bildungs-gesamtplan) in 1973.

Uncertain

Meanwhile, the SPD and the FDP have become uncertain whether their goal of more and better education — including higher education — for as many young people as possible is still justified at a time of high unemployment, when even university graduates are on the dole. The CDU's warning that West Germany is producing too many highly trained people for the jobs available has also left an impression on the Social Democrats.

When the SPD-FDP Government came to power nine years ago, only about one school leaver in ten was going on to higher education. Today the figure is roughly one in four. The proportion of students coming from working-class families is increasing steadily. Whereas at the end of the 1960s they comprised only about 6 per cent of all students, the figure has now risen to just under 20 per cent. Girls, too, are coming forward to take up their right to education. Fifteen years ago they accounted for

just a quarter of all students, today they make up fully a third.

The Federal Education Minister, Dr. Juergen Schmude, of the SPD, argues that "to pass up a chance for education means less chance of having a satisfactory working life" and that "investments in education are investments in the future." However, the Social Democrat-ruled Länder have now adopted a low profile on the matter. Shaken by flagging support in some state elections and by failures in a number of school reform experiments in the last few years, they are even fighting shy of extending the comprehensive school system. That is despite outright support for this system among parents, according to figures published recently by the teachers' union. SPD-State Governments are stalling on the building of new universities and the extension of existing ones.

The CDU opposition meanwhile strongly attacks the comprehensive school. One of the most outspoken critics, Dr. Alfred Dreger, head of the CDU in Hesse, simply accuses the SPD of trying to "for class war." He has called for a course correction in school policy and adherence to Germany's traditional three-tier school system.

It works like this. After the primary school at the age of ten, a decision must be made on whether the child should stay at a second-level primary, go on to an intermediate school or enrol in a grammar school. The decision is crucial because it predetermines a child's professional life at a very early age. Only the grammar school, which finishes after age 13 with the Abitur or university entrance certificate, leaves all options open for later. The second-level figure is roughly one in four. The proportion of students coming from working-class families is increasing steadily. Whereas at the end of the 1960s they comprised only about 6 per cent of all students, the figure has now risen to just under 20 per cent. Girls, too, are coming forward to take up their right to education. Fifteen years ago they accounted for

This rigid system has created

stress and anxiety among children and parents. Thus the comprehensive school was designed to give every child equal opportunities and encouragement and to do away with the CDU's principle of privileged selection. It avoids firmly classifying the pupils for one type of school at an early stage, allowing corrections later, if need be. Each pupil at a comprehensive school can theoretically proceed according to his or her capabilities and interests, electing more or less demanding courses, and choosing among various vocational-training subjects. There are around 200 comprehensive schools in West Germany, mostly in SPD-run states.

The major dispute between the political parties is over the universities, crisis-ridden ever since the mid-1960s. The traditional German university was geared to a small student body, and was dedicated to pure learning and to theoretical research. Career-training took second place. Professors were powerful and autocratic.

The need of modern society for masses of well educated citizens threw the universities into conflict over their role. The problems of ever growing numbers of students, of overcrowded lecture halls, inadequate laboratory facilities, longer periods of study and, as a consequence, restrictions on university admissions (numerus clausus) led to student unrest.

The Bonn Government and all the Länder tried to cope with the new pressure in various ways. Over 20 new universities were built. Funds for universities quadrupled within a single decade. Between 1970 and 1975, 200,000 new places for students were created. The teaching staff doubled to include specialist instructors, and in answer to the students' demands for co-determination various democratic models were tried out.

Yet students still complain about organisation and confused curricula, which frequently lead to extended periods of study. The average student graduates after 15 semesters, or six and a half years, which means that 30 per cent of the students are over 26 years of age. As universities are largely self-governing institutions, the introduction of new teaching-

and working materials and the streamlining of curricula are left mainly to the faculty, with the Bonn Government providing only rough guidelines.

Swelling

In view of the fact that the baby boom children of the 1950s are due to enter university soon, further swelling student numbers, the Bundestag passed the "Higher Education Reform Act" in 1975, laying down uniform principles for the reform of higher education. Greater priority than in the past is to be given to preparation for a career as the first aim of higher education. Courses are to be tightened up and scrutinised to enable students to complete their studies within a standard study period of four to six years, depending on the subject.

Whether this law is going to remedy the situation remains to be seen. Little progress has been made since 1975. The universities have set up study commissions to do the necessary preparation for the implementation of the Act — and not much else. Students are nervous, fearing further upheaval, in addition to the pressure — exerted by job shortage — for top grades at their finals.

The CDU and its conservative followers argue that most of

these problems could be solved if education were to be rationed. They also feel that students spend too much time trying to run the unwieldy machinery supposed to ensure democratic co-determination. Bavaria and Baden-Württemberg have already dissolved the student representation bodies.

The anomalies in the West German educational system are increasing, much to the annoyance of the public. Parents who have to move from one state to another soon notice that their children find the going hard. Curricula and even subjects often differ. Teachers trained in Hamburg, for instance, cannot easily transfer to Bavaria.

In February the Federal Government, in an effort to fulfil its obligation to give guidance to the states, published a report on the educational system. It severely criticised the inadequacies of the structure, especially in CDU-run states. Its main conclusion was: a stronger central government voice in education.

Although the public wants more uniformity in education, it would require a change in the federal constitution to strengthen Bonn's hand. The opposition could be relied on to fight tooth and nail against any such curtailment of Länder competence.

Elgin Schroeder

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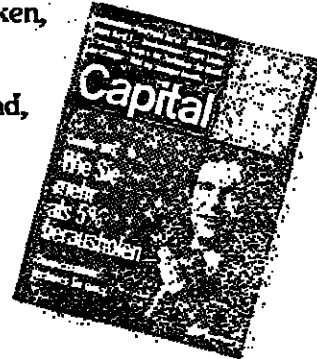
A manager who always follows instructions will never become a bigshot. That's one of the lessons learned by the 1,200,000 readers of *Capital*, Germany's biggest business magazine. This month's number contains an article on morality for managers which also states, however, that nobody can break the unwritten code of fairness and loyalty with impunity. In the same issue:

German share prices are nearing the all-time high of 1969, despite flagging economic growth. In the last few years practically all shares have given their buyers a profit. Imports of cheap long-playing records and cassettes are giving the German music industry a hard time. A German outsider has achieved a technological breakthrough with a petrol engine which is more economical and more pollution-free than diesel. The Rhine still carries 60,000 tons of poisonous substances seawards every day, but the Swiss chemical firm Sandoz has begun cleansing the river 684 kilometres upstream.

Newsflash

Capital 1/79 features a detailed Great Britain report. Advertisers please note.

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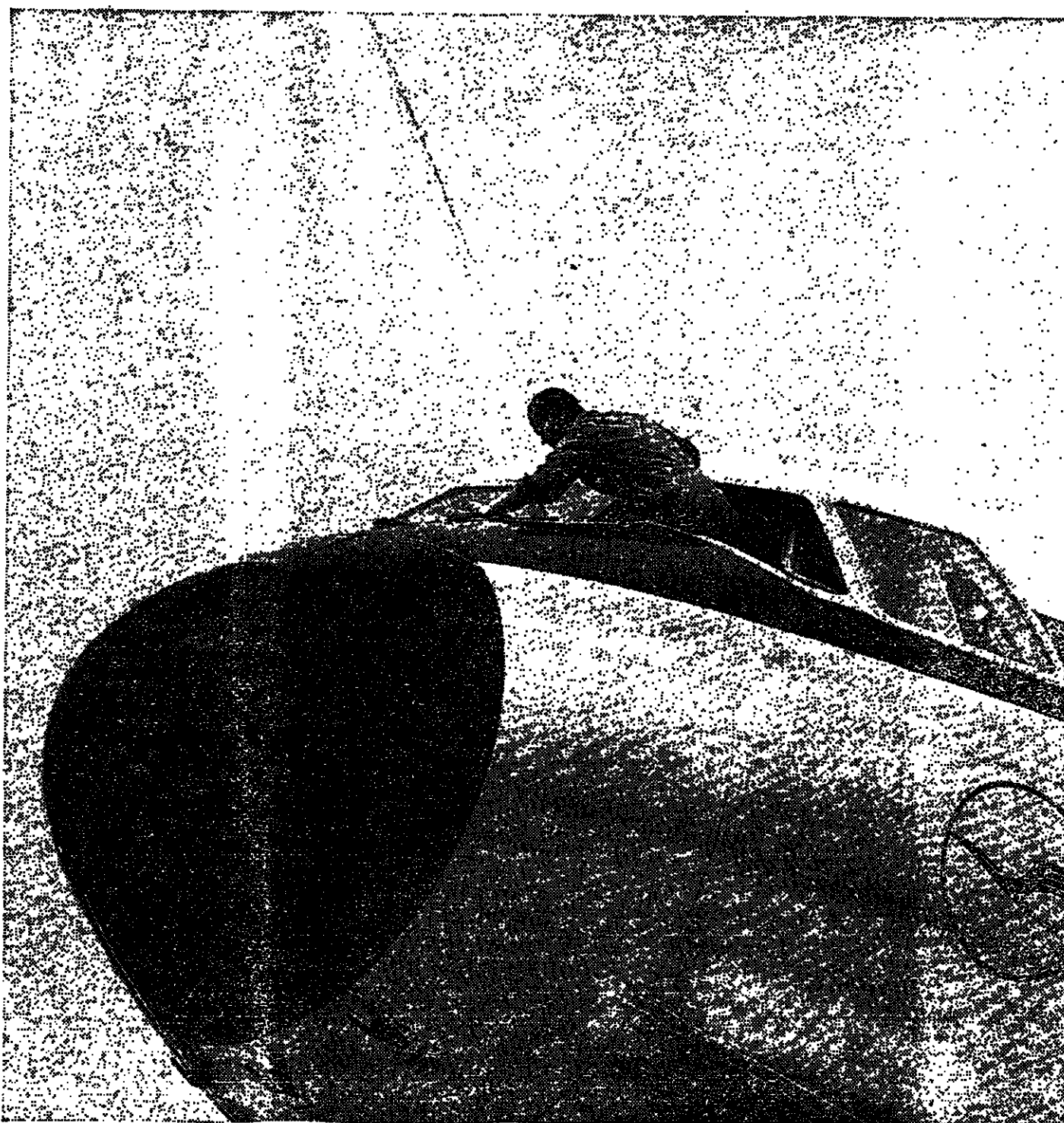
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NUCLEAR

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detected." Bonn and the local licensing authority may be in serious conflict if the latter persists in its efforts to delay the SNR 300 German-Benelux demonstration fast breeder reactor.

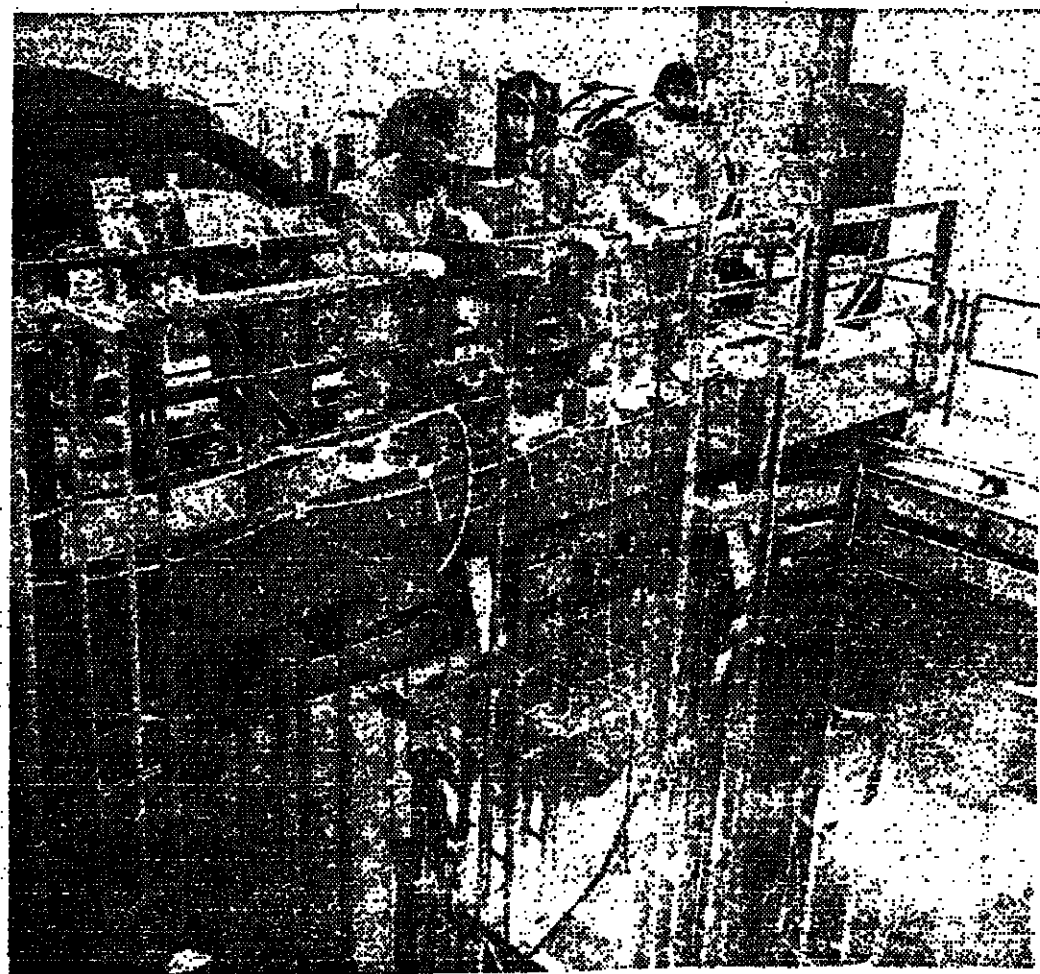
Although West Germany is not a nuclear weapon state, it has been separating one fissile material — plutonium — since 1971, in the WAK progenitor of what is being planned as a 1,500-tonne reprocessing plant at Gorleben in the 1990s. The Gorleben project is an integrated nuclear fuel services centre, planned by DWK, a company set up by 12 electrical utilities. By the end of this year DWK will have committed about DM300m to the project,

including purchasing the WAK plant and mounting a joint research programme with the Government at Karlsruhe. The company expects to spend DM2bn preparing this project to the point of winning approval from the licensing authority. The total bill for its completion to the stage of being the world's first industrial centre to take care of every aspect of spent fuel could come to DM11.5bn.

Next year West Germany expects to start construction of a commercial plant for another of the "sensitive technologies" — uranium enrichment. At Gronau, about 35 km. from the German-Dutch enrichment factory at Almelo, Urenco—the

Anglo-German-Dutch enrichment group—plans to build Germany's first gas centrifuge plant. The decision, expected shortly to be approved by Urenco's Board of management, has been reached under strong pressure from German utilities, which want the security of supply associated with a national source. Unilateral U.S. insistence on a renegotiation of enrichment contracts over the past 18 months, and more recently Dutch parliamentary efforts to block a Urenco sale to Brazil, has convinced the utilities that they must try at all costs to maintain independent national sources of fuel.

David Fishlock



Inspecting spent nuclear fuel stored in a pond (courtesy, Kraftwerk Union).

WEST GERMANY XIV

STEEL

Keeping officialdom at bay

BY MA

THE PR decided to allegation Wilson, a number of were con- paign agai Party on 1974 Geni The for allegation lowing Mi was, had an orches himself, Lady F. Marcia W. The Pr Sir Haro drawn so Subsequ told the did not priors instructed round a material. The Pr to hear Sir Harol, formal co On the against t council, St Royal Ct that ther Labour bi The Pr is one o lished tod In ano council, th Daily Ex picture c Henrietta death in l

FOR THE West German steel industry, 1978 has been a year of paradox. It has seen little real improvement in the world market, despite sporadic monthly improvements in the production and orders figures for some products. Forecasts of what is to come are, if anything, even gloomier than they were 12 months ago; the industry, at the end of four continuous years of crisis, no longer talks of an imminent return to what it chooses to regard as "normal" conditions—meaning prosperity such as it enjoyed in 1974. Few believe any major recovery will occur much before 1982-83.

Against all this must, however, be set the imperfect, yet welcome, benefits of the European Commission's intervention in the market. West German steelmakers still like to be quoted for publication as opposing dirigisme in any form. Yet the fact is that the Davignon price regime has brought some relief, and cannot but be reflected in more stable earnings when the steel companies draw up their provisional 1978 financial results at the turn of the year.

The industry's loud advocacy of free market discipline for the Community's steel sector, in

which it is firmly supported by the West German Government, is not entirely a matter of intellectual preference. The West Germans see themselves left as the leading steel industry among the Nine still in private hands, and they firmly believe that in order to keep it that way, officialdom should be kept at arm's length. The French Government's recent financial restructuring plan for its steel industry has, if anything, reinforced that conviction.

No less important in the West German view is the fact that the industry is among the most modern and economical in the world, thanks to massive rein-

vestment undertaken during the good years. The German steelmakers are confident that, if the European steel industry could be left to fend for itself and the whole structure of Community and national governmental intervention demolished, the West German companies would have no trouble surviving. As the Bonn Economics Ministry sees it, the prime task for the Nine must be to use the breathing space bought by the Davignon plan to slim down the European steel industry by phasing out older, smaller and less profitable plants. West Germany has warned frequently that it will not look kindly on any

attempt by its partners to use the Community price scheme as a means of keeping obsolete capacity running indefinitely, at the expense of the more economical producers.

In the medium term, however, West Germany is not likely to find the process of further contraction any more congenial than other European countries. One effect of the steel crisis has been to increase the federal and state governments' own involvement in the industry, and there are few who believe this trend will be quickly reversed. This year, for example, Bonn has had to come to the rescue of the Saarland, one of the smallest and economically hardest-hit of the States, whose fragmented steel industry had found itself in severe difficulties as a result of its heavy dependence on bulk products. With the aid of DM 200m in investment subsidies, and of a further DM 900m in federal loan guarantees, the group has now taken over control of Röchling-Burbach and Neunkirchener Eisenwerke in a massive modernisation bid.

Separately from this, the Bonn and Saarland authorities are setting aside some DM 500m to cover the social costs of what is expected to be a heavy run-down in manpower in the industry. The Saarland is not the only instance in which the German steel industry has been forced into closer dependence on the Government than its purist free market doctrine might suggest. The industry is the indirect beneficiary from the subsidies paid by the Federal Government to the coal indus-

try in order to allow domestic coking coal to compete with cheaper imports, primarily from the U.S. This sum has risen sharply in recent years, partly as a result of the dollar's decline against the Deutschmark, and some DM 740m will be set aside in the 1979 budget. As shareholders in Ruhrkohle, the biggest West German coal mining concern, the major steel companies have a two-fold interest.

In an altogether different category lies the DM 100m which Bonn has earmarked for the capital increase being carried out by Salzgitter, the wholly Government-owned steel-making and engineering group. Although rival steelmen are sometimes inclined to envy colleagues at Salzgitter their dependence on a single, usually accommodating shareholder, the Government's consistent policy, as with other industrial companies it controls, has been to leave management well alone.

The operating results of individual German steel companies for 1978 so far have suggested little improvement on the dismal performance of last year, though none has yet published interim profit or loss figures. After the 1977 results were made available, however, it became clearer than ever that the companies which had fared best were those that have been able to diversify, for example, into steel fabrication, mechanical engineering and plant construction, and into engineering services and turnkey industrial projects outside West Germany. The steel business itself, however, remains at the heart of each of the major West German

groups' activities, as well as of the host of smaller companies in the industry. Here, 1978 seems likely to confirm the experience of 1977 that even with a high degree of automation and rationalisation, European producers are going to find it increasingly difficult to compete in the market for mass steel products. In so far as West German companies are operating profitably at current prices in their steelmaking activities, they are almost invariably doing so thanks to stainless and special steel products. In their more reflective moments, many German steel executives appear to have resigned themselves to the idea that, in their industry, as in others, Germany's high costs and climbing currency will in the longer term make it concentrate on quality, rather than quantity, in the world market place.

Change

All this could, in theory, change fast if economic recovery in the European Community should suddenly gather speed. Yet apart from the motor industry, accounting for between 10 and 15 per cent of the home market for rolled steel products, few of steel's major customer industries seem to be in any position substantially to expand their purchases as 1978 moves towards a close. It has now become clear that the fillip provided by exports during the first half of the year was due to short-lived special factors, so that much of the industry's output during the second half seems to have been

added to its already swollen stock levels. For the current year, the forecasters are therefore predicting an increase of no more than 2.5 per cent in West Germany's 1977 crude steel production of 30.6 million tonnes achieved only 10 years earlier. The industry's capacity of perhaps 35 million tonnes a year has been running at no better than 60 per cent this year, and is unlikely to show much immediate improvement.

In this dismal situation, German companies' long-term strategy will rest heavily on the use of prices that the European Commission is able to enforce. Despite the scepticism with which the entire steel world has greeted in Germany the acknowledgement that the level has improved by a net of two, that discounts are being more carefully policed, and the Brussels bureaucrats' even attempting to "rescue" independent producers of Northern Italy is line.

To the extent that a Davignon plan succeeds in staunching heavy losses, it even allowing companies' return to profitability at some of their product lines, the West German industry is bound to accord it a reluctant welcome. But if the Commission's measures merely delay what the German companies feel is the inevitable disappearance from the scene of their weaker brethren elsewhere in Europe, they are likely to kick over the traces impatiently.

AT

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MECHANICAL ENGINEERING

Fall-off in exports

FOREIGN CUSTOMERS of This year, the decline has continued, although less rapidly according to officials of the Association of German Machinery Manufacturers (VDMA). Daunted by the soaring Deutschmark and discouraged by the generally listless state of the world economy, they have left all the running in the mechanical engineering sector to striking improvement.

The net result, during the first three-quarters of 1978, has been another period of near stagnation. Since last year was poor and the previous one hardly more encouraging, the industry is once more stoically having to write off the present 12 months and wait hopefully for 1979.

As well as selling more abroad than any other industry—DM 54bn (\$28bn) in 1977, a mere 3.8 per cent advance on the previous year—the German mechanical engineering industry is also the largest employer.

But as the effects of weaker demand from abroad and lack of capital strength at home have continued to bite, the numbers have dwindled. At the end of 1975, this highly fragmented sector, in which around 80 per cent of companies employ less than 200 people, was down to 1.06m, while last year saw a further decline to below 1.04m.

cent higher, chiefly due to a few large deals.

Helped by their size, spread and resilience, leading concerns such as GHH, Mannesmann and Krupp can ride out many of the storms which cause lesser companies to go under. GHH, which has yet to produce full profit figures, says it maintained earnings in 1977-78. But it paints a gloomy picture of demand for the machinery, machine tools and plant which it produces, describing it as less than adequate, while the continued advance of the German currency has opened the way to import substitution in several key areas of the home market.

Nor, adds the GHH board, was there any boost in export demand to offset this, although matters differed considerably between various sectors. The extent of the divergence is borne out by GHH's biggest subsidiary, Maschinenfabrik Augsburg-Nürnberg (MAN), which cites higher German labour costs as well as the dollar's headlong plunge among its catalogue of woes last year. MAN's sales of diesel motors for ships have suffered sharply from the depression among domestic yards, while orders for engineering products for energy production were also slack. Yet sales of the company's lorries and buses were fairly strong, as were those of printing machinery.

Among the 38 broad product categories represented in the VDMA's membership, relatively few have been benefiting from the revival of home investment activity. They include construction machinery, machine tools, farm machinery and printing machinery. Abroad, the picture is equally varied. Another top German engineering company, Demag, part of the Mannesmann group, was able to buck the poor overseas demand trend last year and expects this year's turnover to be some 10 per cent higher than that of 1977. One of the company's strengths is its leading position in the heavy plant sector of the industry, enabling it to take advantage of the order potential released by huge industrial projects in OPEC, Eastern Europe and countries outside the high industrialised western orbit where the lingering crisis in iron and steel industry has caused investment to flag.

In Brazil, for instance, Demag is combining with its Mannesmann parent to erect a heavy machinery plant. In Poland, it concluded a co-operation deal last year with the Hutimex concern in the foundry sector, working together with Hyundai, the major South Korean company. Demag is active in Algeria, while its Asian business

CONTINUED ON NEXT PAGE

GHH-Prospects

GHH is a leading engineering and plant construction group world-wide. Its turnover in 1977/78 was approximately £ 3,000m and orders in hand stood at £ 3,500m at the beginning of 1978 – growth resulting from the wide range of products and services. Of the 85,000 employees, 4,500 are engaged in the research and development of new products and processes. Over the past five years £ 375m has been invested in the current modernisation of its manufacturing shops. GHH welcomes opportunities to be a partner in clients' projects of basic materials and producer goods industries, the chemical industry, the energy sector, the processing and communications sectors, transport and traffic systems and for the civil engineering and building sectors. GHH plans, finances and supplies special industrial equipment and turnkey plants. It also undertakes contract research and development work for the energy sector, for space travel, materials, transport, environmental protection and the infrastructure, including logistics systems. In addition to being a producer and supplier, GHH offers a wide range of possibilities for co-operation in Africa, America, Asia, Australia and Europe.



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SHIPPING AND SHIPBUILDING

Facing a familiar plight

NO AREA of West German industrial or commercial life is in such deep trouble as the maritime sector. Shipowners and shipbuilders, suffering from the world slump that has hit their business hard in virtually every country, have had to swallow their principles and to overcome their instinctive preference for being left alone in order to take their case to the Bonn Government. Both have been obliged to put forward their arguments for financial assistance of a temporary nature (but doubtless on a substantial scale) to see them through the next two to three years. If they do not get it, spokesmen for both shipowners and shipbuilders have warned, West Germany is likely in a few years' time to find itself forced permanently out of both businesses.

The Germans' plight is in many respects a familiar one to their colleagues and competitors in other European countries—painful over-extension of merchant fleets and of shipbuilding capacity that shows little sign of running down; protectionism on the part of other trading nations and not least, competition from new directions that is regarded as destructive and unfair. On top of all this, however, West German shipowners and shipbuilders have had to contend with the strain of a prolonged period of exchange rate turbulence that has pushed the Deutschmark ever higher. At the end of several years of what can without exaggeration be described as crisis, there is little sign of the rapid acceleration in the pace of world trade that would be needed to change shipbuilders' and shipowners' fortunes for the better.

For shipowners, the collapse of the dollar against the D-mark has been especially devastating. Herr Nikolaus Schues, president of the Verband Deutscher Reeder, the industry's federation, has described the effect of the dollar's fall as equivalent to an export tax on West German shipping well in excess of 10 per cent. Some 80 per cent of the lines' income is in dollars, while the rest is largely in other currencies, calculated from a dollar-denominated freight rate. Yet a good 80 per cent of shipowners' outgoings are in D-marks, including the critical elements of debt servicing and repayment, insurance and labour costs. In a presentation of the shipowners' difficulties in the late spring of this year, the VDR pointed out that as this gap widened steadily further, so many lines would find themselves unable to cover costs, while the fact that ship prices are mainly expressed in dollars must lead to an erosion of asset values in D-Mark terms, making further borrowing increasingly difficult.

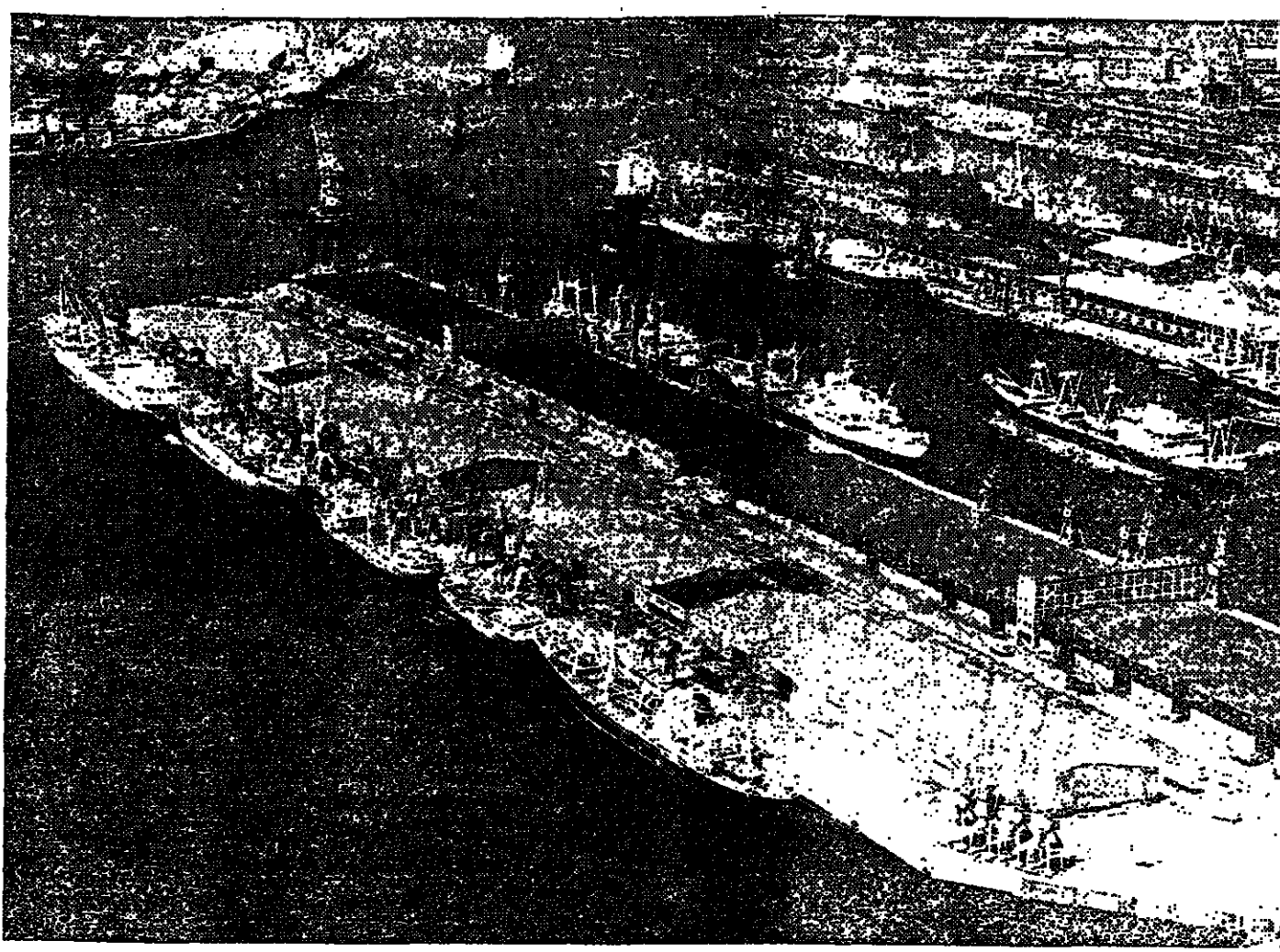
By way of a remedy Herr

Schues called on the Government for a series of short-term measures to help shipowners, including provision for direct financial assistance to those with severe liquidity problems and some form of exchange rate guarantee (yet to be worked out in detail). At the same time, the industry feels it cannot long survive without some defence against the second major threat that has been building up in recent years—the massive price-cutting offensive launched by the Soviet Union and to a lesser extent, other East European countries. According to the West German shipowners, Soviet freight rates on North Atlantic container services now undercut their own by as much as 50 per cent, while in tonnage terms, the USSR now enjoys about 18 per cent of east-bound and 22 per cent of west-bound freight on the route.

The German shipowners see no way in which the Comecon challenge can be met except through negotiations at government level. Bonn has been carrying on intermittent talks with Moscow for well over a year, and is officially still hopeful that the latest round which opened this month will bear fruit. It has warned Russia that it is preparing regulations that would require registration of East European vessels undertaking cross-trade between West Germany and ports in third countries, and has strongly intimated that this might be followed up by a licensing system.

The registration requirement could be introduced early in 1979. Further, Bonn is not entirely without leverage on the Comecon states' shipping policies: it is taking a much tougher line than had been forecast over the future status of the Rhine-Main-Danube canal, now approaching completion. West Germany is arguing that the canal will be an internal and not an international waterway, and is thus making plain that it will not let the large inland shipping industry, the West German merchant fleet, be subjected to the same threat as the ocean shipping lines. In due course it may be willing to set one off against the other in negotiations with Moscow.

However, a more immediate prospect is that the European Community will attempt to harden its own joint stance, now that a common shipping policy is being formulated, and will be able to talk to the East Europeans more coherently than hitherto. No less important for the West German shipowners is that the Community should close ranks on the other major issues that confront the industry—notably the approach DM 1.4bn programme of re-equipment and modernisation signs of increasing protectionism. That means for the Germans the response to the



Like their counterparts elsewhere German shipowners and shipbuilders need an upturn in world trade to improve their fortunes. The photograph above shows cargo terminals at Hamburg docks

proposed UNCTAD shipping code and to impending U.S. legislation. So far as the code is concerned, the West German shipowners are inclined to settle for a 40:40:20 formula for allocating cargoes between exporter, importer and third country shipping; not that they like it, but they fear that the developing countries might be driven to more damaging action if the code is not adopted in its present form.

It comes as little surprise that the West German merchant fleet should have shrunk by from 1970 as faces the same 92,000 tonnes during the first half of this year to approximately 8.9m tonnes. There were 26 new deliveries, totalling 272,000 tonnes, compared to 31 new vessels totalling 330,000 tonnes in the first six months of 1977. While tankers remained the largest single category, their share diminished a little further, from 41.2 per cent to 39.7 per cent of the total registered tonnage.

For the West German shipbuilders, an even more drastic retrenchment has been taking place. Between 1973 and 1977, the industry carried out a DM 1.4bn programme of re-equipment and modernisation whose main thrust was to re-equip the yards for the role they have been taking on

Germans believe that their sophisticated, increasingly automated plant should stand them in good stead.

It has not worked out quite as smoothly as that. West Germany has had some success in building up its share of high-value, special ships of the kind whose complex outfitting and equipment are difficult for yards in Eastern Europe or in the developing countries to match and where price alone is not always the deciding factor. The West German share of the world market for container ships and other special-purpose freighters was 11 per cent in 1976-77, and for gas and chemical tankers 8 per cent, compared to a share of only 4 per cent for production of oil tankers and other bulk carriers, the ship types in most acute worldwide surplus both in terms of current tonnage and of shipyard building capacity.

Yet figures published last month by the shipping magazine *Fairplay* put West Germany in 16th place in terms of orders in hand, with no more than 1m tonnes out of some 61m tonnes worldwide—a figure that compares poorly with the 265m tonnes on shipyard order books four years ago. The West German shipyards' trade association, the Verband der Deutschen Schiffbauindustrie, last month put the picture in even starker terms: on a man-hour basis, the work on the industry's books would occupy one-third of its time in 1979. For 1980, the industry has at present no orders in hand at all. "As a result," the VDS states bluntly in its report on the state of the industry, "a critical situation has arisen which will have the consequence of a virtual annihilation of the sound structure of the German shipyards and of jobs in German shipbuilding and in the German shipbuilding supply industry, if additional assistance cannot be

made possible for a limited period of time."

The industry already receives very substantial sums of money from the Federal Government—over DM 3bn since 1962—in the form of building assistance for West German shipowners, "tied" development aid to countries which place orders for merchant ships, with German yards, extensive orders by the Bundesmarine for warships and a more flexible attitude towards foreign orders for warships. The shipbuilders would like Bonn to continue and expand all these measures, and to do much more besides if it wants to see a German shipbuilding industry survive.

Without infringing European Community rules, the industry wants Bonn to raise direct building subsidies to 20 per cent of the purchase price during the two years up to mid-1980, after which time it suggests that the rate should be run down progressively. It wants to see measures taken to encourage German shipowners to place more orders with German yards—much as the shipowners themselves are urging. This would include invoking the "crisis" clause in EEC rules to allow domestic customers more favourable credit terms than the OECD export credit agreement permits, thus allowing German shipowners to profit from the country's currently low interest rates. The shipbuilders also want to press the Government to accept the UNCTAD code, doubtless because they believe it would lead to a general rise in tonnage belonging to the developing countries, and are arguing for adoption of international safety measures such as reduction of tanker size and separation of tanks—steps which would also provide yards with more work.

A.D.

ENGINEERING

CONTINUED FROM PREVIOUS PAGE

includes the participation in a massive rolling mill complex at Wuhan in China.

Despite the geographical diversity enjoyed by big companies like Demag, it is still western Europe which provides the bulk of outside orders received by the engineering industry. This is one reason why foreign business has been so dull in the past few years, as customers in Germany's neighbouring countries have been held back by the overall lack of spirit on the investment scene.

Yet while the opportunity to do more business in eastern Europe and OPEC has certainly not come amiss, orders from these areas are no real substitute for vigorous trade with the West. In the countries east of the Federal Republic, for instance, the increasing emphasis on barter or compen-

sation deals, forced on communist authorities by lack of foreign exchange, is a hindrance to German companies, though grudgingly accepted as a necessary evil. And while deals with the OPEC oil-producing countries have risen astronomically since the early 1970s, the area was responsible for only 8 per cent of the industry's exports last year, by no means enough to offset the gloomy situation elsewhere.

German engineering companies have become well aware that their future lies in concentration on specialised and highly sophisticated rather than standard products, which less developed countries are increasingly able to produce at considerably lower cost.

In past years, they have lagged behind the U.S. and Japan in the introduction of numerically controlled machines, where

the operator is a computer rather than a skilled worker. But the German businessman is being forced to shed some of his digital scepticism, being gradually persuaded of the flexibility and the cost savings derived from going n/c.

Thus, while the overall outlook for the industry remains opaque, with capacity utilisation a low 81 per cent and exports showing no real movement in the first eight months of DM 31bn, investments seem likely to advance significantly. During 1977, they totalled some DM 3.7bn compared with the industry's total turnover of DM 98bn. If the crystal gazers are right, though, investment spending should shoot up by a real 12 per cent or more this year, with low interest rates providing a timely stimulus.

Andrew Fisher

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WEST GERMANY XVI

CONSTRUCTION

Overseas work still growing

WEST GERMANY'S construction industry was—until the beginning of this decade—relatively unknown overseas. But in seven brief years it has built itself a reputation for being one of the most outward-looking industries in a traditionally export-minded country.

The Federal Republic's construction giants have carved themselves a rich slice of the valuable Middle Eastern market and are also elbowing their way into the territories of their international competitors.

Before 1970, the industry was almost entirely domestically orientated, but nowadays the major building concerns generate virtually 50 per cent of the business abroad.

This comparative slowness in the growth of the industry's awareness of its opportunities overseas may come as a surprise to foreign observers, but it must be remembered that the task of reconstructing the war-shattered country kept order books overflowing through the 1950s and early 1960s.

After the period of reconstruction, the industry grew fat on building the concrete and glass monuments to the "economic miracle".

Indeed, the thrust into overseas markets came about not as a result of a blinding revelation of the truth, but in response to a recession that took the industry by surprise. The domestic market took a turn for the worse in the early 1970s

and is only now showing signs of recovery.

The recession drove many of the country's small building firms out of business and deep into the profits of the majors. The collapse of the pre-oil crisis property boom racked up losses for the Federal Republic's property developers—including a number of large banks—and confidence has been slow in returning.

But if the realisation of the opportunities presented in the overseas markets came slowly, its effect on the West German construction giants has been profound.

Dramatic

An analysis of the leading concerns' balance sheets provides a dramatic illustration of the effectiveness of their sales drive.

For instance, Hochtief, in 1973, reported a building output worth DM 2,11bn, of this only 13 per cent was undertaken overseas. By 1977, however, construction output amounted to DM 3,61bn, of which work abroad contributed 48 per cent.

The industry's orders, naturally, reflects the same trend. In 1973 the concern booked orders worth DM 2,08bn of which only 7 per cent came from abroad.

By last year, the inflow totalled DM 3,75bn and the proportion from overseas 54 per cent.

At the end of last year, in 1973 14.4 per cent of the

Hochtief's order book stood at DM 4,55bn of which 63 per cent were foreign bookings. This compares with 1973's order book of DM 2,03bn, the overseas proportion of which was just 16 per cent.

The same is true of Philipp Holzmann and Bilfinger & Berger. Of Holzmann's construction output in 1973 which totalled DM2,07bn, only 7 per cent took place overseas. At the end of last year output had risen to DM3,32bn and the overseas percentage to 50 per cent.

Bilfinger's 1973 output amounted to DM1bn, of which 18 per cent was abroad, while the proportion of foreign work totalled 18 per cent. By the end of last year these figures had risen to DM2,31 and 65 per cent.

Holzmann's order inflow in 1973 totalled DM2,27bn, with 23 per cent coming from abroad, while the order book amounted to DM2,16bn, of which 30 per cent were foreign bookings.

At the end of 1977 some 41 per cent of the DM3,18bn order inflow was from abroad, while foreign bookings accounted for 75 per cent of the DM5,02bn order book.

Some 19 per cent of Bilfinger's DM1,01bn order inflow in 1973 came from overseas, compared with 1977's 59 per cent of the DM1,99bn inflow. The rise in the importance of foreign orders in the total order book, however, has not been so dramatic.

In 1973 14.4 per cent of the

DM396m order book came from abroad, but by the end of last year this proportion had increased to 26.8 per cent.

This drive for overseas success has not always been marked with success. Many the leading construction concerns will admit that many were made in the early years, often at a steep price.

This, however, was expected and it has been admitted, the Germans are fast. Although competition from overseas contractors is tough, the majors feel that they have the right formula.

emphasis appears to be on quality rather than on cost and specialisation, in specific areas of expertise.

But the move overseas is not always seen as an unparallel success. Beton und Mauerwerk's troubles became increasingly apparent this year followed the same path as West German competitors.

In 1975, only 15 per cent of its DM382m construction output came from abroad, with 21 per cent of the DM 630m order book. By the end of last year 63 per cent of its DM 1,61bn output was overseas, while foreign bookings accounted for 74 per cent of the group's DM 2,06bn order book.

Loss-making foreign projects, however, were the major contributing factor to the group's difficulties. If things for most of the concerns are going well abroad there appears to be prospects of considerable improvement in the situation on the home front.

After seven lean years analysts are predicting that West German property and construction boom is on the way.

Domestic orders, both residential and commercial buildings appear to be on the upturn, although a few months will be needed for the trend to be confirmed.

While this is undoubtedly welcome, a fast improvement in the domestic situation could cause the West German building groups problems. Even during the recession there was a incipient shortage of skilled craftsmen and as a result domestic construction is likely to exacerbate this situation.

Here the difficulty is caused by the nature of the industry coupled with the fact that many men were laid off during the domestic recession; a large proportion of whom are unlikely to return to the industry.

In a country where wages put a high emphasis on security, the construction industry suffers from a tarnished image. The nature of the industry requires men to travel from site to site as jobs are completed and as there are the winter months when construction work is impossible.

Recruits

Pay rates in the building are not particularly good in German standards and therefore the calibre of recruits to the industry's workforce rarely come from the top of the educational barrel. Added to this, the recession has considerably damped down the number of young people taken in for training and the industry depleted labour reserves need time to stock up.

Already a substantial proportion of the construction concerns' labour force are drawn from the ranks of the "grey workers." The bulk of these, however, are relatively unskilled.

While craftsmen from countries such as Italy, Yugoslavia and Turkey readily find work in the industry, training standards are far from uniform and frequently the level of skills are insufficient to meet the exacting needs of modern construction operations.

The construction concerns have been trying to plug the gap with recruitment from other advanced European countries and many British craftsmen are now working in West Germany for wages which, although not particularly attractive by German standards, are very high compared with British pay scales.

Analysts here argue that the construction industry's future performance will increasingly depend on its ability to attract skilled craftsmen from abroad, at least in the short-term.

If it fails to do so, an early upturn in domestic construction activity could open the floodgates to foreign competition in the West German construction concerns' home market.

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IN SPITE of its underlying strength the West German electrical industry is now entering a period of uncertainty, mainly because its heavy dependence on export markets makes it vulnerable to the upward shift in the Deutschmark.

In the first half of the year the industry reported a healthy increase in orders, but most of this was accounted for by domestic business.

The worrying point for the larger exporting companies was that foreign orders showed a decline compared with the same period last year. Export sales have continued upwards, reflecting the increased orders last year. But the outlook must be for a little or no increase in foreign sales in the early part of the next year unless there is a substantial improvement in demand by the end of 1978.

Surplus

With 40 per cent of its production exported, the industry enjoyed a surplus on the balance of trade of DM 14bn (£3.7bn) last year.

Total sales have increased by 40 per cent to nearly DM 90bn (£23.8bn) between 1973 and 1977. In the same period exports rose 84 per cent to DM 31bn. However, imports have been rising even faster. (They nearly doubled in the five year period and last year increased 12 per cent on the previous year's figure to DM 17.5bn (£4.6bn).)

Most other European countries can only regard such figures with envy, mixed perhaps with a faint relief that Germany is beginning to import relatively more electrical goods than before.

The half-year order figures released by the Centre Association of the West German Electrical Industry (ZVEI) show the total order intake from January to June is up by 4.6 per cent to DM 46.5bn. Domestic orders, however, were up by nearly 8 per cent and foreign orders down by just over 2 per cent.

To British eyes these figures do not appear to be anything to worry about. After all, the German electrical and electronics industries have shown a spectacular growth over the last decade, with consistent increases in production and exports apart from the recession of 1973.

However, from the German industry's point of view the trend of rising imports and sluggish export orders is beginning to seem rather worrying,

despite the generally buoyant state of sales.

In March this year, Dr. Hans Goehring, chairman of the ZVEI was predicting a growth of only about 4 per cent in the sector's production compared with last year's 6.8 per cent, and a further decline in the labour force which was 986,000 last year. The improvement in domestic demand since then makes the outlook rather brighter.

However, the continued pressure on margins resulting from the increase in the value of the Deutsche Mark is likely to create difficulties for the investment plans of some companies.

The anxiety which the industry now feels about overseas sales was underlined earlier this month by figures produced by Siemens, the largest employer in West Germany.

Siemens, sales of DM 25.2bn are second only to those of Veba the chemicals group and represent 28 per cent of the total of the German electrical and electronics industry. Its progress and views are therefore a good barometer of the whole industry, especially because its policy is to be in everything electrical, and nothing but electricals.

Siemens' figures show that the West German electricals market is only about 8 per cent of the world total of \$410bn.

The whole of the EEC accounts for about 22 per cent of the world market with North America at 30 per cent and Japan 13 per cent. Although the world market is expected to grow by about 12 per cent to \$464bn in 1980, Siemens expects growth in Europe to be relatively slow.

The moral is clear: companies which wish to maintain their position in the world market must step up exports particularly to the U.S. and Canada. This point is underlined by the order figures published by Siemens in August. They showed the company had increased domestic orders in the nine months to the end of June by 8 per cent (compared with the same period in the previous year) to DM 2,45bn, but international orders were down by 3 per cent.

Siemens has been following the logic of its own analysis with a major effort to increase its presence in the U.S. market.

After a slow and relatively modest build up of U.S. sales in the last two decades—based initially on medical equipment—Siemens now appears to be entering a new phase of expansion based on some quite major acquisitions.

The two most important were the purchase of 50 per cent of the heavy electrical interests of Allis Chalmers and a 20 per cent stake in one of the larger of the second range semi-conductor companies, Advanced Micro Devices.

These purchases have been supplemented with acquisitions of a number of smaller companies like Litronix which makes opto-electronic displays and light emitting diodes. Siemens is beginning to emerge as a significant supplier of components in the U.S.

As a result of its acquisition policy, Siemens now has a quite impressive list of 10 subsidiaries or associated companies, whose products range from heavy electrical engineering through photo-typesetting, numerical control for machine tools and micro-computers to semi-conductor components.

These acquisitions have been part of a carefully laid strategy to buy only companies which would dovetail into Siemens' existing operations by adding market strength or production know-how.

The Allis-Chalmers joint venture is particularly interesting in view of Siemens' purchase in 1976 of AEG-Telefunken's share in the Kraftwerk-Union power engineering and nuclear combine. It raises the possibility that Siemens might become a major competitor to Westinghouse and U.S. General Electric in the manufacture of power stations in the U.S.

While Siemens continues to grow and to consolidate its strong cash position, the fortunes of the second largest German electrical group, AEG, seem as problematic as ever.

AEG is the ninth largest West German company with a turnover of DM 14,29bn, but it has not paid a dividend to its shareholders for the past four years. There seems little prospect that it will pay a dividend this year either, and prospects of increased profitability in 1979 do not look too optimistic.

AEG's problems arose mainly from its disastrous venture into the nuclear power business, which is still reverberating on the company two years after it sold its shareholding in Kraftwerk-Union.

In September it was announced that AEG would pay \$614m to Siemens in respect of its losses in the nuclear power business.

This is money with which it can ill afford to part, considering

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AEROSPACE

Partner in major programmes

THE WEST German aerospace industry, half the size of the French and no more than a quarter the size of the British in terms of the 50,000 people it employs, has long enjoyed a pivotal role in Europe and has seen this, if anything, strengthened in 1978.

Perhaps because it has had no choice, the industry has been a more steadfast and less ambivalent partner in the big European joint aircraft programmes, both civil and military, than either Britain or France. Its sole attempt to go it alone on a major project, the short-haul VFW 614 jet airliner, had to be shut down for lack of orders last December, leaving the industry and the federal Government more convinced than ever of the need to concentrate resources on civil projects of proven viability and, in the military field, to work all-out for greater co-operation.

The European Airbus programme is for the present the main concern of Government and industry alike, for in the military sphere no major decisions need to be taken for a year or two. Germany is proud of its half-share in the Airbus, though not chauvinistic. It does not seem unduly sensitive to the fact that France has often been more closely identified with the aircraft in the U.S. or even British public mind. But what gratifies the German Government, and no one more than Herr Martin Gruener, State Secretary in charge of co-ordinating aerospace policy, is that the Airbus project is commercially successful. For Herr Gruener, this is the foundation on which should be built the more integrated European aircraft industry of the future, and from which this can develop into a true competitor with the U.S.

The alternative to integration, as the Germans see it, would be for the European companies to soldier on alone for a while, and then to find themselves obliged to become mere sub-

contractors to the American giants. Such was the fate which Germany believes would have befallen British Aerospace had it thrown in its lot wholly with Boeing. Herr Gruener and his officials have played a crucial mediator's role between Britain and France all this summer over British terms for joining in developing the smaller A310 version of the Airbus. They have done so not merely for the sake of broader European political aims, but because a common aerospace industry without British participation would be very much a second-best solution.

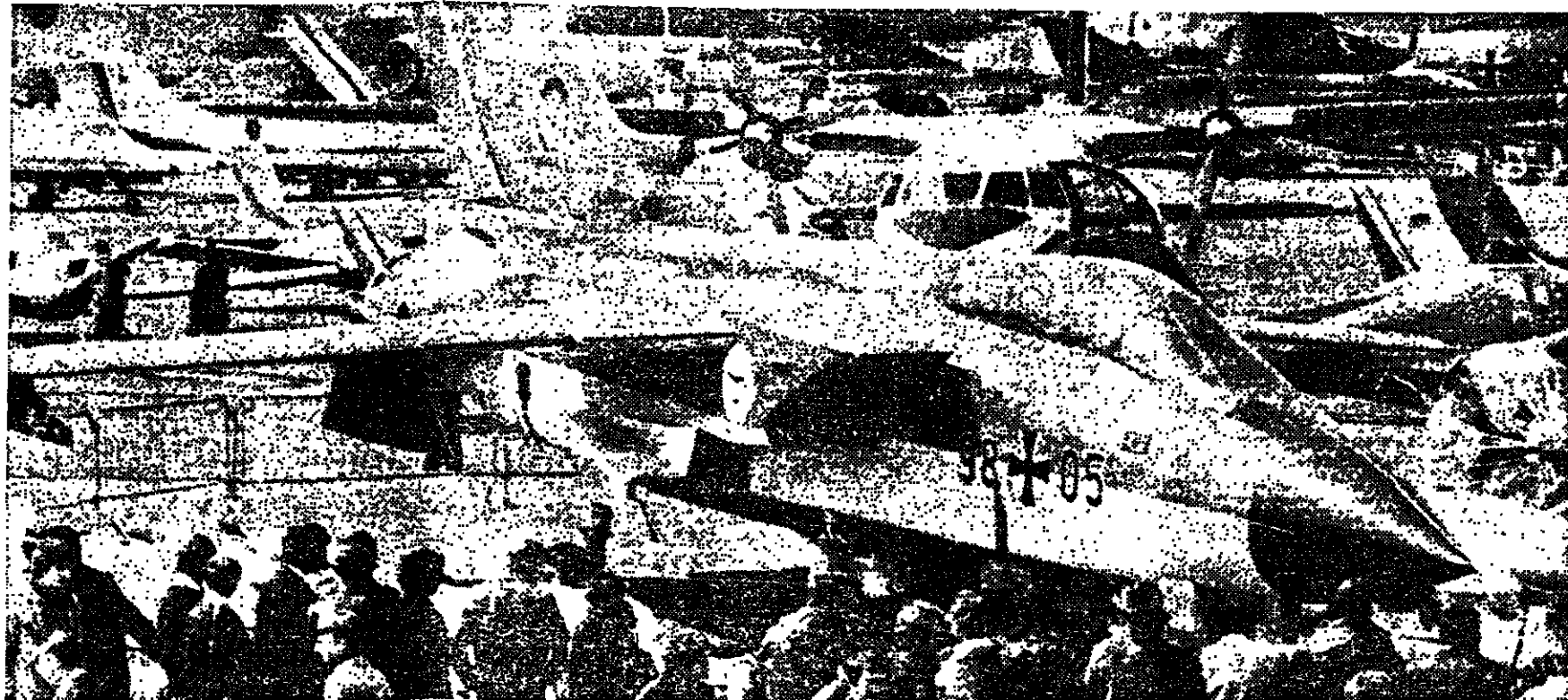
At the purely industrial level, there is a certain paradox in the Germans' steady enthusiasm for British partnership and their quiet diplomacy to help bring it about. For German aerospace plants suffer from overcapacity no less than those in Britain or France, and none more so than those of the troubled German-Dutch group, Vereinigte Flugtechnische Werke-Fokker. The company had done extensive development of its own, partly funded by Bonn, on designs for super-critical wings—the part of the A310 earmarked for Britain. This summer, it was all set to begin manufacture. None the less, even VFW-Fokker executives themselves insist that the strengthening of the Airbus Industrie consortium and the spreading of risk by taking in new partners are far more solid gains.

As for the A310 itself, Government and industry are both optimistic about the sales outlook, partly on the basis of the solid launching orders received this summer, and partly because of the success of the Airbus consortium in selling the larger B-2 and BA-4 versions of the Airbus. In principle, the German Government is now ready to go ahead with funding the first stages of detailed design work this autumn, with a view to beginning production of parts by early next year. That will be the beginning of an invest-

ment which will probably cost Bonn about DM 1.6bn (£420m).

With the two versions of the A300 in full swing and the A310 now on the point of becoming an industrial reality, the Germans feel that the centrepiece of European civil aviation co-operation is in place. There is markedly less enthusiasm in Bonn than in Paris for the two proposed joint European transport narrow-bodied types, spoken of by their more enthusiastic supporters as an inseparable part of the Airbus "family." For the time being the two current Airbus programmes will take up all the financial resources the German Government wants to commit to civil aircraft, although naturally it counts on seeing a return on its investment in the Airbus in a few years' time. More to the point, however, there appears to be no agreement among manufacturers as to the specifications of the two jet projects, and little firm sign of interest from airline customers. So far as Bonn is concerned, the jets remain very much at the theoretical stage, as do plans for joint production between European manufacturers and McDonnell Douglas of the U.S. of the so-called advanced technology medium-range airliner.

Besides Airbus Industrie, the existing pillars of European co-operation in the aerospace industry are the Panavia consortium, now carrying out full-scale production of the Tornado multi-role combat aircraft, the Euromissile group that has developed the Roland, Hot, Milan and Kormoran systems, and the helicopter-manufacturing group expected shortly to be formed around the wishes of European Governments to develop an advanced generation of military types for the 1980s. In addition to these major projects, Messerschmitt-Bölkow-Blohm, the largest of the West German aerospace companies and partner in all the consortia, has other bilateral programmes within Europe as well as beyond it. The latter include a co-



The Tornado multi-role combat aircraft, which is now in full production.

operation agreement with McDonnell Douglas for the advanced tactical fighter which NATO will need in the 1990s—a project in which VFW-Fokker is also associated.

The largest bilateral programme is that between the privately-owned Dornier company and Dassault-Breguet of France for the Alpha-Jet close air support and trainer aircraft. Deliveries to the French, German and Belgian armed forces have now begun, as has implementation of a deal with the Inter-Arab Armaments Procurement Agency in Cairo. Dornier also stands to gain large orders in avionics and instrumentation when final

agreement is reached on the proposed European NATO member's airborne warning and control system (AWACS)—a deal in which the German Government is insisting on a more generous attitude on the part of the U.S. towards weapons purchases from its European allies than has been the case hitherto.

It is not yet clear how far any of the programme consortia may lead towards a more permanent form of European integration. Attention in West Germany is for the present focused on the long-discussed proposal for a merger between MBB and at least the German better than what it regards as interests of VFW-Fokker. With abdication to MBB's terms,

Herr Gruener, for the Bonn Government, is anxious to see a solution that would give West Germany for the first time a single large company able to achieve a measure of real financial strength. This position has, however, been greatly complicated by the large shares now held by State Governments. Bavaria and Hamburg between them now own some 46 per cent of MBB, while Bremen has recently bought a large chunk of VFW. In each case, the local political leaders feel they need a seat on the Board when, inevitably, the question of redundancies from the older plants comes up.

A.D.

ELECTRICAL

CONTINUED FROM PREVIOUS PAGE

ing that its operating surplus last year was only DM 8m (\$3.8m). However, AEG should benefit from the improvement in the German domestic consumer goods market, a sector which accounts for about a third of its sales.

However, this is a sector where margins have been under pressure for some time.

In the long term it may benefit from the cash which it has been spending on streamlining its consumer goods and office equipment operations, but this also remains to be seen.

Overall, the most promising sector of the German electrical industry has been data processing, which showed a growth of nearly 30 per cent last year, on the 1976 level.

Although the computer market is dominated by international Business Machines, with about 60 per cent of total sales, a number of German companies are showing increasing strength in the manufacture of mini-computers and small business systems.

Siemens, which has for many

years supported a loss-making computer division, probably has about 17 per cent to 18 per cent of the market, mainly with smaller systems. It has now agreed to market Fujitsu's larger machine to supplement its own range.

Strategy

This agreement to market a foreign system at the top end of the range accords with the German Government's strategy of supporting the development of smaller systems. In its third four-year support programme (1976-79), the Government is spending some \$625m in matching research and development grants for companies making small systems peripheral equipment and terminals.

The beneficiaries, besides Siemens, include Nixdorf, Philips GmbH, Triumph Werke, Kienzle, Anker Werke and Matthias Hohner. Last year's increase in production seems to indicate that the strategy is beginning to pay off, although it is probably too early to see

much benefit from the current investment programme.

Data processing is an area in which German industry is just holding its own against imports with a positive balance of trade of DM 115m last year.

The largest export earner is the heavy electrical sector with a positive balance of trade of DM 6.75bn. The only sector which is a net importer is electronic components with an adverse balance of DM 113m.

This reflects the weakness throughout Europe in semiconductor manufacture and the consequent large volume of imports from the U.S. of computer memory and other components. German production of components increased by less than 1 per cent last year.

Siemens, the main integrated circuit manufacturer, seems determined, however, to stay in the business, and with the help of Government subsidy it may yet emerge as a profitable producer of standard components.

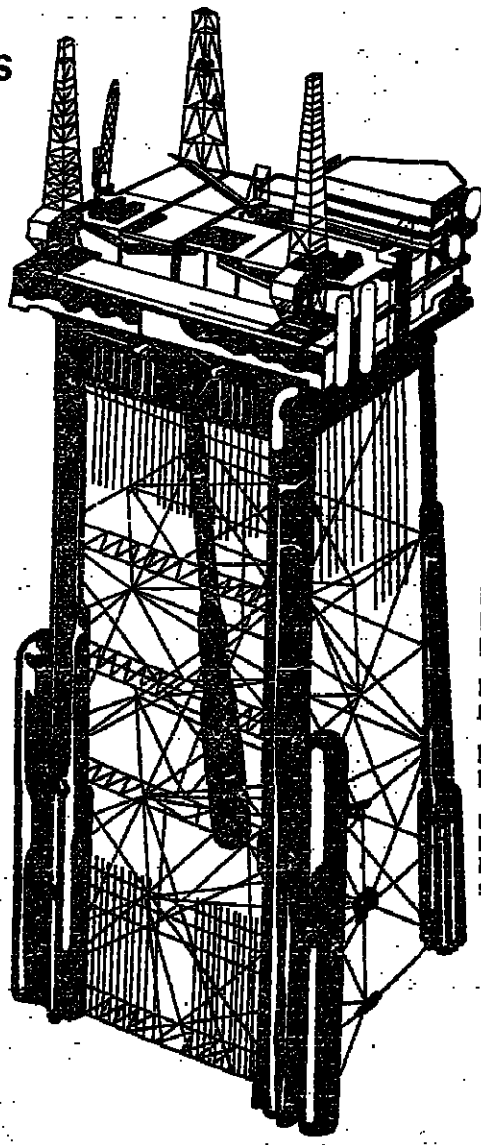
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WEST GERMANY XVIII

CHEMICALS

Still in the doldrums

THE LOW level of world economic activity has depressed the sales of the powerful West German chemicals industry for nearly two years. Profits which had shown a substantial recovery in 1976, fell steadily from the final quarter of that year until the end of the first half 1978.

However, despite the news that the industry is unlikely to meet its own modest growth targets for the year as a whole, there are indications that things are now on the upturn.

Hoechst, one of the industry's "big three," reported last month that earnings had recovered since the first quarter of 1978 when they slid by 25 per cent against the performance in the comparable quarter of 1977.

Professor Rolf Sammet, the concern's chief executive, reported that world-wide earnings were expected to be maintained for the year as a whole at 1977's level.

While this means that they are likely to stay at around the DM 835m point, it must be remembered that in 1977 Hoechst saw its earnings plunge from the recovery year 1976's DM 980m. Still, as Professor Sammet said, the current mood in the group is one of "mild optimism" rather than that unmitigated gloom which followed the first five months' performance.

As its two great rivals, BASF and Bayer, have still to report, there are no concrete indica-

tions that they have experienced a similar trend. However, the performance of the "big three"—all excellently managed concerns—tend to more-or-less mirror each other, there are good grounds for hoping that modest general improvement is on the way.

Modest or not, the improvement is in stark contrast to the industry's position at the half-year mark. In July the industry's trade association, the Verband Der Chemischen Industrie (VCI), reported that sales during the first five months of 1978 were running at about 1 per cent below the previous year's level.

Profits which, industry-wide, had dropped by 18 per cent in

1977, had shown an even steeper decline in 1978 despite far-reaching rationalisation measures throughout the sector. In the first quarter of the year the average drop in earnings was 25 per cent compared with the first three months of 1977.

Admittedly first quarter 1977 was the best three months of the year. Earnings went into a deep decline and, naturally, 1978's first quarter was bound to look particularly bad when measured against last year's counterpart. However, the best the industry could hope for, said the VCI, was a first-half performance which showed sales stagnating at about the same level as in the comparable period of 1977.

The underlying reasons for the industry's difficulties have been tough price competition from foreign competitors, particularly in the bulk products sector. In the opening five months of the year producer prices fell back 1.7 per cent—a heavy drop in an industry where low margins are the rule rather than the exception.

Export prices were under very heavy pressure, said the VCI. In the first five months of the year they had decreased by 4 per cent compared with 1977's levels. Declining prices mean that the industry could no longer bank upon the modest 3 per cent production growth targeted for the year.

The VCI contends that the low level of world economic activity is by no means the sole cause of the industry's problems. In many countries there are distinct trends towards protectionism and price market control. Naturally the appreciation of the DM against the other world trading currencies, particularly the dollar, has squeezed margins and, although it has had the effect of lowering the costs of basic raw materials, such as oil, it has severely blunted the West German's competitive edge.

The industry, however, was continuing to hold on to its markets and compete with its foreign rivals despite its extra-

ordinary difficulties, said the VCI. But at the same time, the Verband appealed for "strict and fast" measures against dumping practices and low-priced imports in order to head off moves towards protectionism in some of the world's most important markets.

Rationalisation has continued apace throughout the 1970s as the industry's answer to the problems caused by the appreciating DM and steeply rising labour costs. On the labour front the industry's overheads are among the highest in the world with the effects of high wages exacerbated further by the extraordinarily high level of fringe benefits that workers throughout the industry enjoy.

While the chemicals industry is capital intensive rather than labour intensive, these high labour costs have a profound effect on the industry's ability to compete internationally. Quite frequently the cost of fringe benefits double the wage costs. For a couple of years in a row at BASF, for instance, more than DM 100 in fringe benefits was paid out for every DM 100 of pure wages.

Although last year the figure dropped back to slightly below the DM 100 point, wages had, of course, risen and the fringe benefit burden in real terms remained as high as ever. In the view of the VCI and

the industry as a whole, its best prospects for maintaining and improving its international competitiveness comes from concentrated capital investment in and exhaustive research. Last year, the West German chemicals industry invested a total of DM 5.4bn, while research spending amounted to DM 4.5bn.

Research

This year research and development and investment spending is unlikely to decline. At the same time the industry is likely to step up even further its capital investment overseas. The new bargain-price-dollar has encouraged the majors in the industry to look enthusiastically at the U.S. for the past couple of years and acquisitions as well as the construction of production facilities there are absorbing the lion's share of the industry's foreign investment cash.

Although it is claimed that despite the fall in the dollar's value, capital investment in the chemicals industry in North America costs some 25 per cent more than in the Federal Republic, there are no signs of a let up in the pace of expansion in the market. Set against the high initial outlay are the subsequent advantages of lower operating costs and improved ability to deliver.

The industry's problems remain the plant sector, fertilisers and man-made fibres—although it appears that no great deal has been done to reduce the losses in the fibre and man-made fibres sectors, including the close-down of the less efficient plant in all these sectors, of course the world market is in a considerable state of over-supply.

It is perhaps ironical that German chemicals industry played an important role in bringing some of these problems on its own head. Much of the over supply in world markets particularly in the fertiliser and man-made fibres sectors stems from the increased quantities of the products being poured into Western markets from Eastern Europe—and the West Germans have played a large part in developing the East bloc's chemicals industry through the sale of licences, the constructing of production plant.

However, before the industry is condemned for short-sightedness, it seems fair to argue that it had very little choice in the matter. If the West German had not supplied the plant and licences, the orders would have been placed with competitors from nations and the West German would have had no benefit from the deals at all.

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RETAILING

Better prospects

THE GERMAN CONSUMER is a conservative person whose response to a recession and rising unemployment is to save as much money as possible. At the depth of post-oil crisis recessions, the savings rate rose to 16 per cent and, as can be expected, it was the retailer who suffered.

Through 1976 the savings rate remained at the 14.4 per cent level and it was not until the final half of 1977 that it has dropped back to 13 per cent of net income.

Although there is clearly more money in the consumers' pocket, sales growth in the retailing sector has been meagre. Last year it rose by a nominal 6.9 per cent and the sales expansion was uneven from product group to product group.

The savings rate has fallen to its lowest level for years, but even so it remains high in comparison with those of other nations. Besides, the consumer has had very specific demands on his or her cash—one of the most important of which has been replacement of the car which was delayed as a result of the oil crisis.

Domestic car sales are still running high despite predictions that the peak of the boom is past. But although the motor industry's domestic sales growth has slowed considerably this year, it remains the main beneficiary of the cash available for consumption.

Figures issued by the Federal Statistical Office in Wiesbaden last month showed that growth rates yet again have been relatively unimpressive. During the first eight months of the year, the retailers' turnover increased by a nominal 6 per cent.

Measured against 1970 values the improvement was a rather more modest 4 per cent.

For the country's major department store groups, the past couple of years have been ones of sales stagnation. Last year turnover in the department store sector rose by only a nominal 2.3 per cent—a rate which failed to keep pace with the overall increase in sales space.

At Karstadt, Europe's largest department store group, sales last year rose by 5.9 per cent to DM8.4bn. The group's sales space, however, rose by 13.1 per cent during the same period. Karstadt is probably not the best example as the group has

been much occupied with its rescue of the ailing Neckermann group, the large department store and mail order concern.

The picture at Kaufhof, West Germany's second largest department store chain, was rather less extreme. In 1977 sales went up by a mere 2.3 per cent, while the concern's sales space increased by 3.3 per cent.

But Kaufhof, the sales of which last year totalled DM 7.08bn, did rather better than Hertie which saw sales rise by a miserable 0.7 per cent to DM 6.3bn, while its total sales area increased 1.1 per cent. At Herten, last year's turnover improved by 0.1 per cent against

an increase of 1.9 per cent in sales space.

In comparison with the department stores' performance other retailing sectors have done considerably better. Chair operations, specialising in narrow product group ranges saw turnover rise 10.5 per cent. The consumer co-operative stores saw turnover rise 7.6 per cent, while specialised retailers reported 5.9 per cent sales increase.

Prospects for the department store sector are looking a little better this year, although sales growth is unlikely to be breath-taking. Kaufhof, for instance

CONTINUED ON NEXT PAGE



A shop window in Königsallee, Düsseldorf

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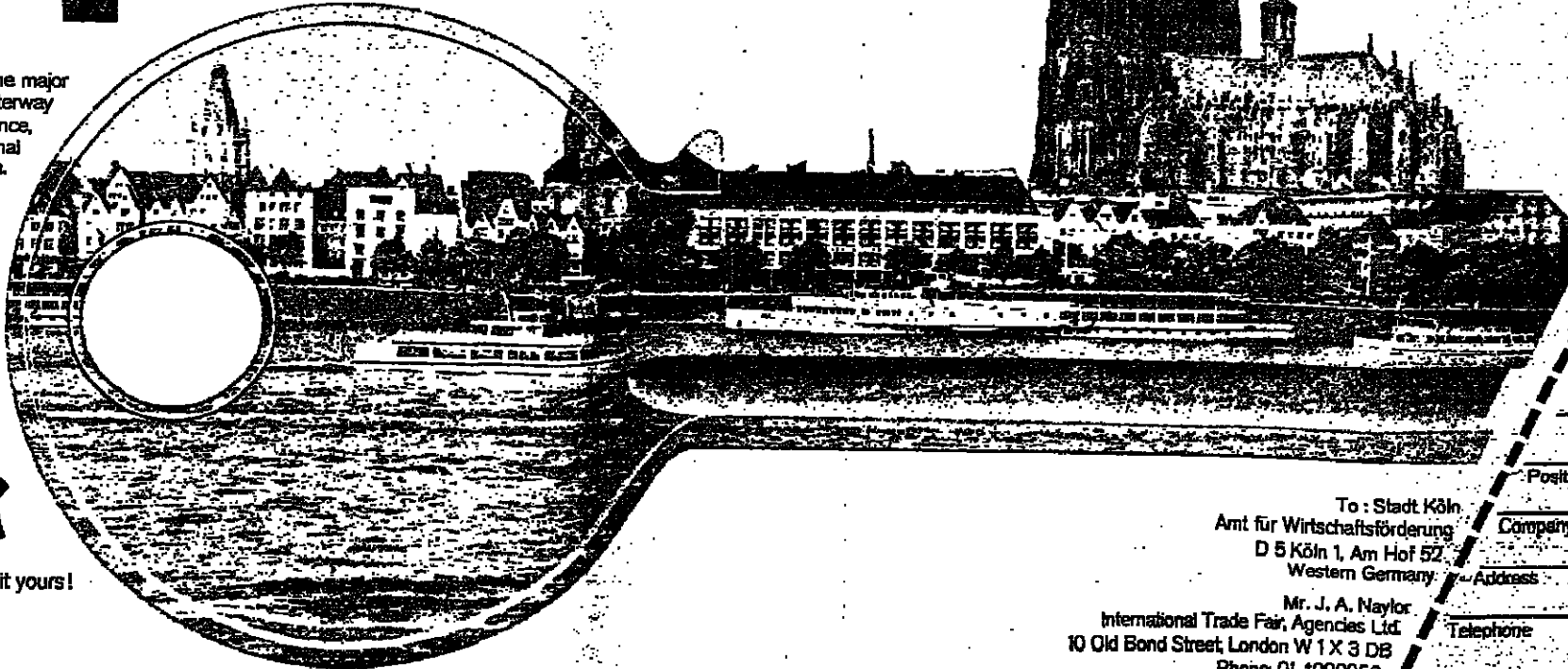
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WEST GERMANY XIX

MOTORS

Concern over imports rise

THE West German car manufacturers will long remember the past two years. Order books have been full to overflowing and the Federal Republic's dealers can sell every vehicle they can lay their hands on.

In the commercial sector, however, the picture is rather less rosy. Demand has been declining, particularly in the export markets and production, which last year dropped by 2 per cent compared with the 1976 performance, has suffered further attrition this year.

Last year the industry turned out just over 4.1m vehicles of all types—6 per cent more than were produced in 1976. If the growth rate was not as spectacular as in 1976 when output rose by 21.4 per cent, it should be remembered that not only did commercial vehicle production decline but a period of consolidation was expected.

The car manufacturers saw output increase by 7 per cent to just under 3.55m units. The Federal Republic's car plants were operating a full capacity and delivery periods lengthened for even the mass car manufacturers.

Exports rose despite the strength of the D-Mark, with car and estate vehicle sales up 11 per cent to 1.94m units. While car sales were still well below 1973's vintage 2.17m units the industry still had good grounds for satisfaction.

This year car and estate vehicle production is still moving inexorably upwards. The Verband der Automobilindustrie, the industry's trade association, reported a production growth of 4 per cent on the first eight months when output totalled 2.54m.

The commercial vehicle sector saw a further heavy erosion of its output which declined by 9 per cent compared with the same period of 1977. Underlying the drop is a heavy fall in overseas demand for the industry's products. Exports in the commercial vehicle sector, which also dropped back last year, were off by a full 17 per cent in the first eight months to 103,800 units.

Slower

In the car sector exports have also increased at a slower rate than expected. During the period under review they went up by 4 per cent to 1.23m units.

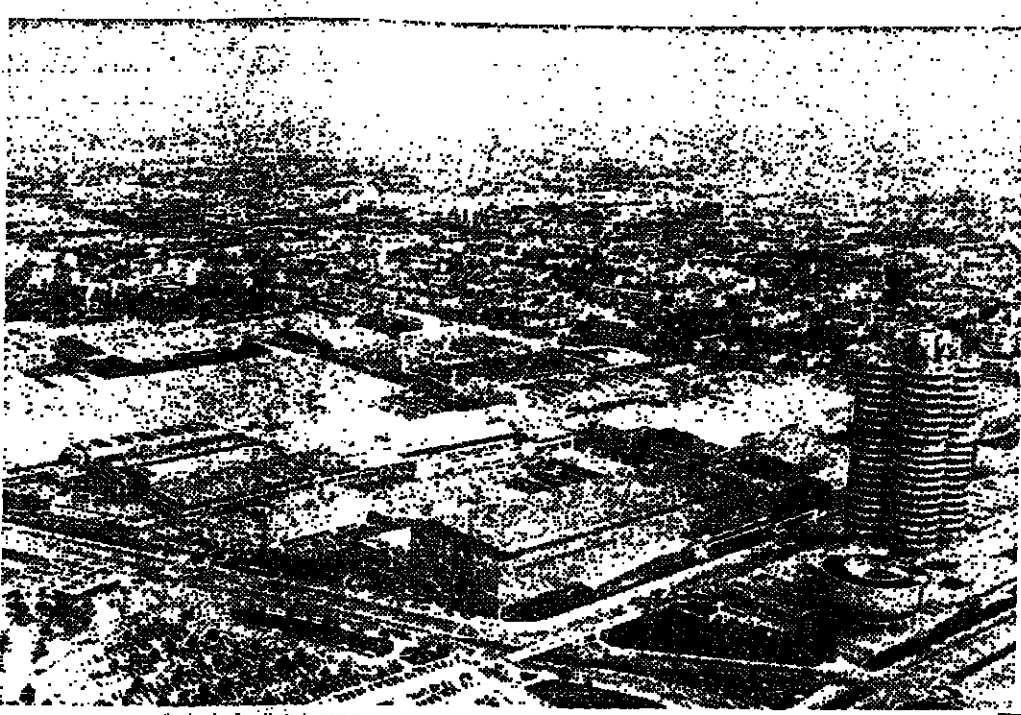
While general overseas demand has not been particularly strong, there is little doubt that the industry has been hard hit by the rise in the value of the Deutsche mark against the dollar. The effects of this have also been felt at home where imports have shown particularly strong growth.

Domestic registrations of private cars increased by only 3.6 per cent during the first half of the year, compared with 9.9 per cent in the same period of 1977. However, the proportion of imports in the more than 1.5m registrations was up from 1977's 21.5 per cent to 24.1 per cent, while last year it fell back to 9.5 per cent.

One reason for this is that the classic department stores have been facing tough competition from the self-service department stores and consumer goods operations. Although the classic department stores have been doing their best to cut back and rationalise their large and expensive staffs, their overheads are obviously far greater than those of their larger competitors.

Last year the self-service operations increased their sales space by "only" 10.9 per cent. In 1976 it rose 13.4 per cent, while the year before that their sales space expanded by a phenomenal 23.8 per cent.

At the beginning of this year the self-service sector commanded more than 6m metres of sales space, compared with the classic department stores' 5m square metres, and 35m square metres for the traditional branch shops.



The BMW office and factory in Munich.

The car manufacturers are clearly showing deep concern at the rate at which imports are increasing. However, with order books full, their plants running virtually flat out and delivery periods lengthening there is little they can do to stem the inflows.

For the mass motor manufacturers the rapid expansion of Japanese shipments to the federal republic are particularly worrying. By the end of the first half year, Japanese car registrations in West Germany were up by 53.7 per cent, on those of the opening six months of 1977.

Admittedly, there has been very little competition from the Japanese car makers in the domestic market to date and same period of 1977. Underlying the drop is a heavy fall in overseas demand for the industry's products. Exports in the commercial vehicle sector, which also dropped back last year, were off by a full 17 per cent in the first eight months to 103,800 units.

The West Germans fear that Japanese pressure in the domestic market is bound to increase especially if there are further curbs on their sales in the U.S. market. As Japanese labour costs are very much lower than in West Germany, where the car industry pays among the highest labour rates in the world, price competition is very keen.

Despite the German workers' high reputation, productivity in the industry is claimed to be considerably lower than in the U.S. or Japan. According to Mr. James F. Walters Jr., the chief executive of Adam Opel, there is little the industry can do to improve the situation.

Productivity standards in the U.S. are claimed to be higher than those of the U.S. primarily because there are fewer work days on the calendar than in North America. This, he said, was also true of Japan, where output rates per worker were also

enhanced by a much higher level of work intensity. A GM spokesman in Antwerp claimed that the cars had been brought in to draw customers to the show rooms to take a look at its latest American models. But while GM is keeping very quiet about its plans, some observers believe it could be the prelude to a major American assault on the quality car market.

Both cars come especially equipped for the European market and are fitted out to comply with Germany's strict regulations. Furthermore, the major change that has taken place in U.S. car design—forced on Detroit by stricter fuel consumption and exhaust emission standards—has resulted in smaller, lighter vehicles which are much nearer those of the European producers.

Although they are still very American in styling and accessories, GM believes the new look of its standard cars will appeal to Europeans. So far this belief has been confirmed. Starting from a small base, GM has been raising its imports of U.S.-made cars by 30 per cent a year for the past three years. Projected sales for 1978 are 20,000 vehicles, but by next year the figures will have risen by another 30 per cent to 26,000 units.

Prices are very competitive with the Camaro selling for DM17,700—about the price one would expect to pay for one of the smaller BMWs. Not only that, GM has reduced its prices twice already this year: first by 3 per cent and then by 4.4 per cent. This was not so much a matter of generosity as the effect of the falling dollar.

West German car industry executives concede that the U.S. products are likely to offer real competition at the upper end of the market. They admit that

the Americans could bite into the sector dominated by BMW and Daimler-Benz whose order books are so full that customers are being quoted irritatingly long delivery periods.

The West German motor manufacturers are trying to offset these difficulties by stepping up their rationalisation programmes. All manufacturers from Daimler-Benz and BMW at the top of the tree to the popular car producers such as Volkswagen and Adam Opel, are devoting a growing proportion of the capital investment programmes to rationalisation measures.

Opel, for instance, is in the middle of a DM 5bn investment programme which involves only a very small increase in new production plant. The bulk of the money will be going into increased automation and the elimination of bottlenecks in its existing factories.

At the top end of the trade, German manufacturers for the first time started noticing competition from Detroit. Although industry forecasts last year indicated that there would be little competition in the European market from the U.S. car makers until the 1980s, the fall in the Dollar's value appears to have brought forward the deadline.

First into the German market has been General Motors, which owns the highly profitable Opel concern. Although it has been rather shy of declaring its intent it has been testing the market's response to the American industry's new products.

So far two cars have been offered for sale—the Chevrolet Camaro sports car and the Chevrolet Malibu Classic saloon. Although the number of cars imported is very small, GM concedes that the reception has been very good. Indeed, one industry source stated that the special Camaro series sold out immediately.

However, it is becoming increasingly difficult for the small and medium sized shopkeeper to compete with the big league in terms of range and price. Furthermore, there are strong indications that the federal regulations—which strictly control opening hours—are being legally evaded.

Retailing operations are allowed at the main railway stations and airports to cater for the travellers' needs. These are virtually unrestricted as far as opening hours go.

Originally, of course, they were there to provide refreshment in the weary. However, the larger operations have woken up to the opportunity such sites offer and medium-sized department stores and self-service operations are being opened up offering a wide range of goods from clothing to gift articles, radio and televisions to groceries.

As far as the authorities are concerned, it is almost impossible to tell which customer is a bona fide traveller and who is merely taking advantage of some after hours shopping.

Although the mental image of travellers arriving in their underwear at the clothing departments of such stores may well raise a smile, this new development hodes evil for the small shopkeeper.

At the same time, sales space has increased 119 per cent to 129 sq. metres per shop. Last, but not least, the proportion of shops to residents has gone up by 39 per cent since 1962—from

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*Source: LAE 78-comparative readership analysis for selected titles among decision-makers in business and administration.

Fairs and Exhibitions Berlin 1979

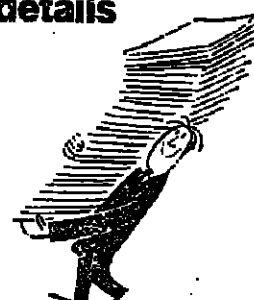
| 1979 | Extract from the programme of events |
|-----------------|---|
| Jan. 26-Feb. 4 | International Green Week Berlin 1979 |
| March 3-11 | 13th International Tourism-Exchange ITB Berlin 1979 Boat, Sport and Recreation Exhibition BSF Berlin 1979 |
| April 8-11 | BERLINER INTERCHIC - 114th Durchreise - Main Sampling |
| May 7-10 | PARC 79. International Conference on the Application of Computers in Architecture, Building Design and Urban Planning (to be held in the ICC Berlin) |
| June 5-9 | 28th German Congress for Medical Advanced Training 12th German Congress for Dental Advanced Training International Pharmaceutical and Medico-Technical Exhibition |
| Aug. 24-Sept. 2 | International Radio and TV Exhibition 1979 Berlin |
| Sept. 17-20 | Medical Informatics Berlin '79 (to be held in the ICC Berlin) |
| Sept. 19-23 | 17th Overseas Import Fair "Partners for Progress" Berlin |
| Oct. 10-13 | büro-data Berlin '79 Exhibition of the Office Industry |
| Oct. 14-18 | BERLINER INTERCHIC - 116th Durchreise - Main Sampling |
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WEST GERMANY XX

MUSIC

Standards high and low

I HAVE before me a daunting list of opera performances given in West Germany last week (for example up to and including October 14).

From it I see that among the offerings I missed were *Der Fliegende Holländer* (The Flying Dutchman) in Saarbrücken on Monday, *Boris Godunov* in Aachen on Tuesday, *Udello* in Freiburg on Wednesday, *Falstaff* in Kassel on Thursday, *Il Seraglio* in Wiesbaden on Friday and—rounding off the week nicely—*Die Götterdämmerung* (Twilight of the Gods) in Bruns- wick on Saturday, starting at 5 pm and presumably, ending before Sunday.

Attendance at all these would have involved some very hard driving on the autobahns (but that, of course, is what Germans do on their autobahns. Perhaps they are all making for the Hamburg opera). It would also have involved considerable advance planning. For the German subscription booking system—the *Abonnement*—ensures that those frivolously deciding only at the last minute that they wish to go to the opera tend to find all seats taken. The sense of disappointment is dulled only with fury at the scorn with which one is treated at the box office. "A seat for this evening? The last ticket for standing room went last week." The Bavarian Festival variation of this

is: "a seat for this year? Very funny—though you might try American Express in Tokyo." But assuming you travelled fast, and had all the tickets in advance, that opera tour outlined for last week would have been quite possible. It is doubtful whether it would have been wholly recommendable. For not one of the opera houses mentioned is actually of the very front rank in Germany today (although it must be hastily added, to avoid furious letters, that most of them are fully capable of giving worthy performances).

Missed

You would, for example, have missed the Bavarian State Opera in Munich—which not only Bavarians consider the best of the lot. You would have failed to see the Hamburg company (which good Hamburg citizens simply know to be the best—but are too mindful of their reputation for balance and pragmatism to trumpet abroad). You would have missed Düsseldorf, Cologne, Frankfurt and Stuttgart—in each of which cities you are bound to hear more than a word of praise about the local opera and more than one ironic dig at the bumbling efforts elsewhere.

Which goes to show that there room went last week. The Bavarian Festival variation of this

German cities for much of the time. With regret, it must also be admitted that some of the performances are just awful.

Those foreigners are in for a big disappointment who assume that because a German house has the ambition to mount, say Berg's *Wozzeck* or Schoenberg's *Moses and Aron*, its standards must approach those of the Met or Covent Garden. It is rare in any opera house anywhere that one hears, for example, perfect horn playing in the opening bars of *Das Rheingold*. Someone usually makes a slip and it was unkind of Wagner to set such hazards so early in the evening, but only in a German opera house, which shall remain nameless, have I heard almost every other note in the passage come out wrong. The performance became better it is true—but largely because that was the only way it could go.

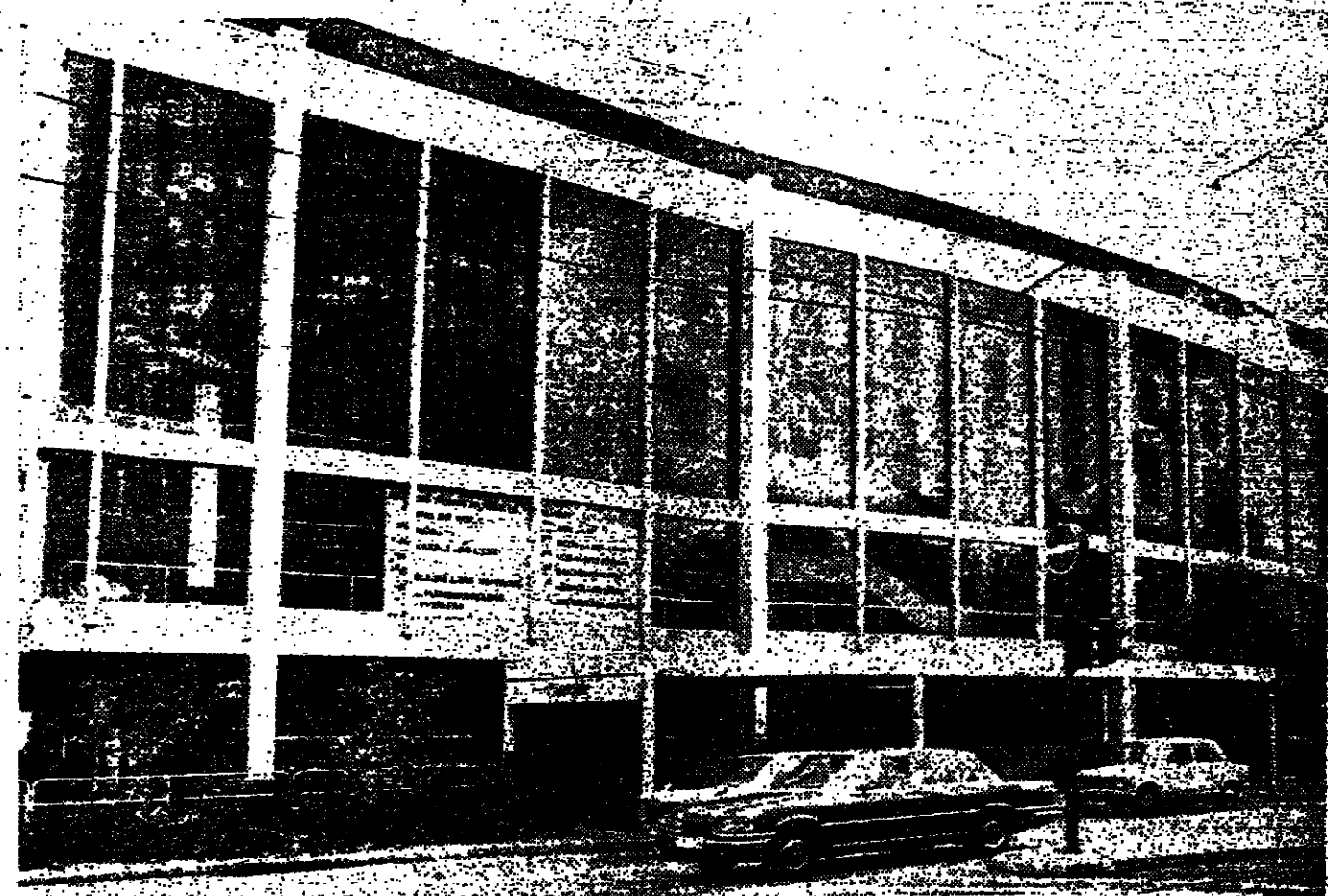
That said, it should be stressed that standards at the very top in Germany are as high as they are anywhere. And it is surely good that so many people throughout the country, not just in a capital or a couple of big cities, have the opportunity of seeing and hearing live performances, however imperfect.

It is sometimes thought that this remarkable geographical spread of stage activity—not just opera—arose thanks to the relative decline of Berlin in the

post-war years and the new federal structure of the country. But in fact it harks back to days not simply before Hitler but before Bismarck, when rival princes sought to prove to one another how very cultured, as well as powerful, they were. The rivalry today between the provincial stages and between the cities has a great tradition—a point worth remembering when discussing the West German "experiment" with federalism. Culturally, at any rate, it is a form which suits the Germans very well.

If any particular institution might be said to have taken over the role the princes once filled as patrons of music, then it is radio. Just as one city vies with another to become top dog in opera, so each West German regional radio network seems bent on proving that it presents the most balanced or the most progressive of musical fare.

It is hard, for example, to imagine the "development" of modern music in West Germany in the post-war years—whether in the strait-jacket of serialism or the unnering freedom of so-called "aleatoric" composition—without the radio stations. Herr Karlheinz Stockhausen, for instance, received a lot of help and encouragement from the studios of West German radio in Cologne. A whole school of composers owes a big debt to the enlightened direc-



Not an office block but Frankfurt's new Opera House

TELEVISION

Programmes under attack

WHAT DO the Germans like doing best in their leisure time? Some strenuous form of activity, surely, since they are such work addicts. Hiking, perhaps, or sports or going on trips? Wrong, their favourite pastime is watching television.

Ninety-seven per cent of all West German households have TV sets, some of them several. More than 40 per cent of them are colour sets. Seventy-four per cent of West Germans watch television every day—for over two hours on weekdays and three at weekends.

People spend more time viewing and listening than they do reading the printed word. The average German devoted nearly 19 hours a week to broadcasting in 1977, while newspapers and magazines took up less than six hours, according to statistics released recently by Bertelsmann, Germany's biggest publishing concern.

Early this year no less a person than Chancellor Helmut Schmidt advised his compatriots against exaggerated and uncritical consumption of television and warned that direct communication between people would suffer as a result of it. In an appeal for people to give up watching TV for one day a week, he said: "Television is a very attractive and compelling medium. It is difficult to escape its lure and to make the effort towards other forms of communication."

Wishful

Although the television-free day may remain wishful thinking on the Chancellor's part, anger at the declining quality of programmes, at the increasing influence of the major political parties on TV and the rising fees could lead growing numbers of people to switch off their sets more often.

When West German television got under way 25 years ago it soon established a reputation for high quality. To ensure that broadcasting could never again be taken over by the State as in the Nazi era, radio and television were made the responsibility of the Länder (the Federal States) and established as public corporations. The States adopted a variety of ways of arranging the composition of the councils which oversee the running of the networks. The key word here is proportional representation. The political parties in the State Parliaments, the trade unions, the churches—in short, all socially relevant groups—were to be represented and to have a say in the choice of programmes.

After the individual Länder radio stations had formed a joint working group, ARD (*Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland*), West Germany's first TV channel was born. Its nine stations televisé separate regional programmes in the afternoon and present a joint evening programme to which they all contribute in turn.

To create a much-needed contrast, the second German channel—ZDF (*Zweites Deutsches Fernsehen*)—was founded 10 years later. It was set up along the lines of ARD—i.e., as a public corporation.

But it is centrally organised and broadcasts only one programme for the whole of Germany. Since it has concluded radio agreements with all German States, its controlling councils also reflect the make-up of the State Parliaments.

In 1964 ARD started serving a new channel. This was designed to fill a specific gap. Over the years ARD and ZDF taken together have grown to become the second largest media enterprise in the world, according to figures published by the central committee of the German advertising industry. The increase in size has been accompanied by problems.

First, it has proved impossible to protect broadcasting that is wholly independent of political influence. The stronger representation of the ruling parties in the radio councils has tended to be reflected in journalistic appointments. Radio Bremen, Germany's smallest network, has recently provided an extreme example of how far political meddling can go.

When it became known this summer that a sub-committee of the Social Democratic Parliamentary group in the Bundestag had drawn up a new Radio Bremen Bill, many citizens felt that the independent future of the German radio and television system was at stake. The Bill envisaged replacing the head of the station by five directors. Representatives on the radio councils of scientific institutes, of women's committees and of

Growing public complaint about endless repetitions of foreign crime serials and hand forced slanted political radio and television network to try to make programmes more attractive at the beginning of this year. The attempt failed, however, because regional stations have refused to integrate their specialities, culture, science, politics, foreign affairs or even—in any form of undertaking.

To many German observers even within the political parties the only remedy seems to be to abolish the monopoly of the system and to force independent competition through the pressure of private stations.

income from commercials which they are allowed to broadcast for 20 minutes on weekdays between 18.00 and 20.00 hours. Yet ARD has already formed a deficit of DM 1.9bn by 1980, following suit, has claimed it will have a financial deficit of DM 726m by that time. Although a commission set up by Prime Ministers of the Länder to scrutinise radio management, cut these figures by a total of DM 686m. It soon became clear that a further, more drastic, measure was inevitable. It has now been fixed at DM 13.2 bn, or more than 20 per cent of total from next January.

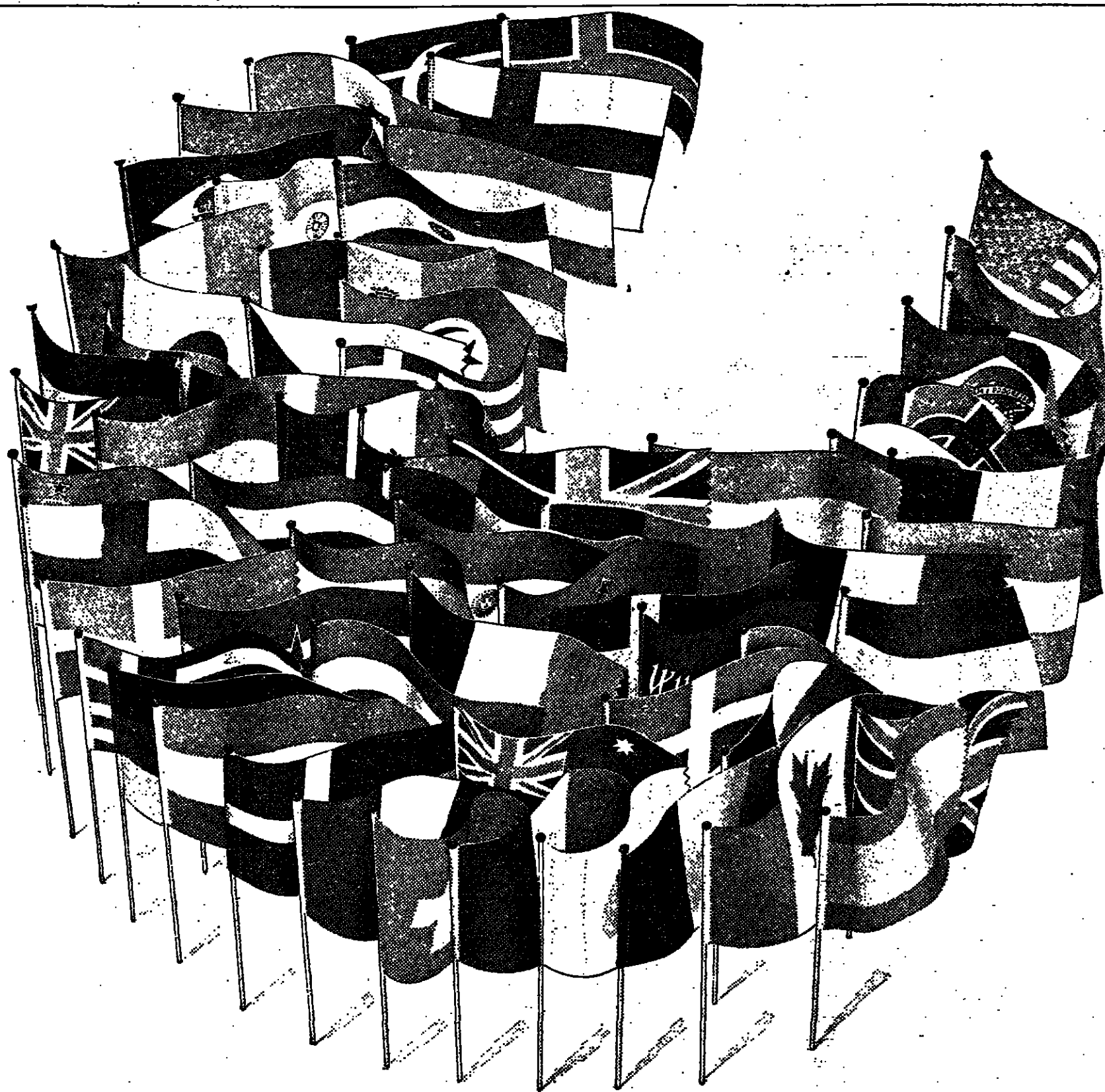
The reasons for this state of affairs at the networks are to considerable degree management mistakes in planning, gross over-inflating of the building of the new studio decisions have often been hampered by the need to reach agreement between the main stations under the federal system.

In order to save money ARD and ZDF have both begun to cut down on shooting television films and on other expensive productions. Instead they have stepped up purchases of foreign series and of old programmes repeated twice over within a short period. As a result "German" television, as thought to be the best in the world, hardly differs from the Fiji Islands' TV, as a German economic magazine of last year has put it.

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Elgin Schroeder



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A mood of uncertainty in the Midlands

BY ARTHUR SMITH, Midlands Correspondent

THE MIDLANDS, home of the nation's real car industry, will display the prize which it has coveted for so long when the International Motor Show opens at Birmingham on Friday. The £45m national exhibition centre, set amid fountains and landscaped grounds, will present the clean, confident face that the region would want to portray to the world. But what has been billed as "the best motor show ever staged in Western Europe"—despite familiar threats of industrial disruption—will catch the West Midlands in a mood of self-doubt, with most questions being placed against the long-term future of the staple industry, vehicle assembly.

The latest survey conducted by the West Midlands Chambers of Commerce contrasts with the optimism of national studies by suggesting that the national upturn in consumer spending has had no real impact upon the order books of local industry. Mr. Gerard Coghlan, chairman of the Chambers, says there has been very little change from the position three months ago.

Mr. Reg Parkes, chairman of Brookhouse and of the regional council of the Confederation of British Industry, presents a similarly gloomy picture. A CBI survey showed that the region was "hitting the national trend." The West Midlands had given no sign of any upturn of economic activity. Indeed, since July there had been "a rather disturbing decline of orders both at home and overseas."

Mr. Parkes points out that the region, traditionally one of the nation's most prosperous, has been slow to bounce back from each recession over the past decade. With its over-dependence upon manufacturing industry—around 46 per cent of the working population falls within that sector—the West Midlands provides a good

indicator of the nation's real production performance.

The amount of spare capacity varies widely between industries and even between companies, but there has been a gradual improvement from the low point of just over two years ago when many employers were reporting that output could be raised comfortably by around 30 per cent. However, the continued under-utilisation of plant and equipment, coupled with a lack of confidence that demand will be sustained throughout 1973, is the main reason why increased consumer spending has not been reflected in the Midlands' capital goods industries.

Sectors like machine tools and mechanical handling equipment, under pressure from both imports and low demand from UK companies, see little improvement over the next 12 months. Companies in engineering and capital equipment, still working at only around 85 per cent capacity, expect little change in markets.

Mr. Richard Wootton, UK sales director of Tube Investments steel tubes division, with 15 Midlands companies and a turnover of more than £200m, says the upturn in activity that had been expected about now had not materialised. Output across the division had increased marginally over the past 12 months, but the dominating factor had been the continued international recession in steel products. "Without exception, all companies are saying it is probably a little bit better this year but any bright spots foreseen for 1979 are the result of particular circumstances rather than any improvement in demand," Mr. Wootton suggested that, if anything, markets might be turning down towards the end of next year.

Mr. Parkes takes a similar view, pointing out that while

SOME OF THE ECONOMIC INDICATORS

| | | Sept. % | June % | March % | Dec. % |
|---|--------------|---------|--------|---------|--------|
| ORDERS | | | | | |
| Home orders compared with three months ago | up | 35 | 35 | 36 | 46 |
| | same | 41 | 43 | 32 | 32 |
| | down | 24 | 22 | 32 | 20 |
| Export orders compared with three months ago | up | 29 | 28 | 27 | 34 |
| | same | 46 | 47 | 37 | 42 |
| | down | 25 | 25 | 36 | 24 |
| PRODUCTION | | | | | |
| Companies working at | | | | | |
| full capacity | 26 | 24 | 22 | 27 | |
| 80-100% capacity | 44 | 39 | 42 | 47 | |
| 60-80% capacity | 27 | 31 | 32 | 23 | |
| at less than 60% capacity | 1 | 6 | 4 | 3 | |
| CASHFLOW | | | | | |
| Cashflow compared with three months ago | improved | 23 | 27 | 22 | 26 |
| | satisfactory | 59 | 57 | 56 | 53 |
| | worse | 18 | 16 | 22 | 21 |
| LABOUR | | | | | |
| Companies expecting workforce to | | | | | |
| increase | 24 | 19 | 19 | 26 | |
| remain constant | 55 | 61 | 63 | 57 | |
| decrease | 21 | 20 | 18 | 17 | |
| INVESTMENT | | | | | |
| Plans for new plant and machinery in next 12 months have been | | | | | |
| revised upwards | 29 | 23 | 17 | 28 | |
| unchanged | 66 | 72 | 78 | 69 | |
| revised downwards | 5 | 5 | 5 | 3 | |
| CONFIDENCE | | | | | |
| Companies confident turnover will | | | | | |
| improve | 55 | 48 | 48 | 60 | |
| remain same | 37 | 41 | 42 | 34 | |
| worsen | 8 | 11 | 10 | 6 | |
| Companies confident profitability will | | | | | |
| improve | 39 | 28 | 27 | 41 | |
| remain same | 48 | 47 | 51 | 43 | |
| worsen | 22 | 25 | 22 | 16 | |

* Results all by percentage. Number of respondents 301. Source: the West Midlands Chambers of Commerce quarterly economic survey.

opinions about the future are varied, no one is expecting any significant improvement. "Indeed, if the regional economy does not go up steadily during 1979, we could be faced with recession once more by the 1980s."

Mr. Eric Swainson, managing director of IMI, an international engineering and metal manufacturing company with a heavy concentration of activities in the Midlands, attributes much of the blame for the region's poor performance to the vehicle industry. While UK car registrations

are expected to reach a record level this year, imports are taking more than 50 per cent and BL Cars has proved a particular disappointment.

The State-owned car company, though geared to produce 1.2m vehicles, is likely to have an output of little more than 750,000 this year. Such a low level of activity works back through the component suppliers to the metal-forming and manufacturing industries. Weak international demand for tractors and commercial vehicles has also caused widespread short-time working and

sales. Lucas, in common with the other large motor component suppliers such as Guest, Keen and Nettlefold and Associated Engineering, have stepped up overseas sales to compensate for the weak demand at home.

A cause of some apprehension to exporters, however, is the strength of the pound at a time when there are fears that UK inflation may begin to rise once more. A number of companies are reporting that they are maintaining export volume but on reduced margins and the point could come next year when they have to withdraw from certain markets.

In spite of weak demand over the past few years, investment has continued at what the CBI describes as "an adequate level." The disturbing consequence for employment, at least in the short-term, is that nearly all capital spending has been designed to improve efficiency and save labour rather than to expand capacity. Mr. Davidson of Lucas, which spent £100m last year and has scheduled £24m for the current 12 months, says that such investment is essential for Britain to remain competitive in world markets. He believes that the real test is whether advantage can be taken of such developments to increase national growth and redeploy the dislodged labour.

Sir Adrian Cadbury, chairman of Cadbury-Schweppes, which has a large confectionery complex at Bournville, Birmingham, reports that investment has remained "surprisingly buoyant" in the face of poor markets. The drinks and confectionery business had not benefited from the recent consumer spending but by next year it was hoped production volumes would be back to the level of 1973. "It is not something to boast about that you hope to be back to the level

you were six years earlier." Sir Adrian said. "When there is no estimate of a 10 per cent total growth in output one way of seeking improved returns is to make better use of assets. I wish there were more new development projects but you are not likely to get that in an economy which is so sluggish."

Unemployment in the West Midlands, at 6.1 per cent, is fractionally lower than the average for Great Britain of 6.2 per cent, and has shown little movement on a seasonally-adjusted basis since the beginning of the year. There have, however, been signs of an increase in vacancies over the past two months. Such flutters in the employment market have not been experienced before, so no one is placing too much reliance upon it. But Mr. John Warburton, director of the Birmingham Chamber of Commerce, reports that smaller companies are showing some optimism and talking about the need for additional labour. He points to the improvement in office lettings as an indication that the service sector might be expanding.

There can be no mistaking the principal factor behind the current uncertainty about the direction in which the economy will move. Neither companies nor trade unions know what is going to happen to wages," says IMI's Mr. Swainson. "They do not know how committed the Government will be to the 5 per cent guideline, how genuine productivity deals must be, or whether sanctions will be imposed against companies."

A few engineering companies have already concluded deals within the 5 per cent guidelines, but most shop stewards are delaying negotiations to await the outcome of the strike at Ford and talks between the Government and the TUC. Many companies, although they would never declare it publicly

forecast. For Sir Adrian Cadbury, a former chairman of the West Midlands Economic Planning Council, the wages issue is likely to be crucial for the region. "If earnings finish up at 10 per cent, then inflation is likely to go up again. If they can be held at 8 per cent, there is a real chance we could move into a period of continued growth. At this stage it is mighty difficult to make a forecast."

Letters to the Editor

Air fares scramble

From the Executive Director, Oceanair Travel

Sir—This year's air fares scramble on the North Atlantic is reminiscent of the Clarkson's era in the holiday trade; when the end of flying aircraft seats is the only consideration, including that of making a profit!

Sir Freddie Laker opened up a new market for the casual traveller, which was previously untapped. The scheduled airlines should not have tried to compete, since (1) he was not after their business and (2) the very nature of Skytrain, with no reservations systems, computers, sales forces/outlets, negligible advertising, etc., renders it impossible for the scheduled airlines to match the price, since they are already blessed (or lumbered) with all of these things. Your article of October 10 even mentions the possibility of advertising the non-availability of seats, which must be the height of lunacy!

The scheduled carriers should turn their attention to reducing fares for their biggest customer, the business traveller. The new three class structure is a sop to the businessman, to confuse him into thinking he is getting value for money. Let us analyse what he gets for his extra £180 (November yearly compared to November Apex return); free drinks, free telephone calls, a different menu; the intangible "higher standard of service"; use of first class check-in facilities; and a separate cabin so he can't find out what the others are paying! Even the very best of restaurants with immaculate cloths, service, food, wine and cabaret could not justify charging £180 for a meal!

Companies with large travel budgets should exert pressure on the airlines to come up with a fare structure which is fair to them; cosmetic changes in the style of service are not enough.

Colin P. Boyce, Oceanair House, 133-137 Whitechapel High Street, E1.

Small business regeneration

From Dr. R. Horvitz

Sir—A noticeable shift in attitudes is how Nicholas Leslie opens his informative critique of the resurgency preoccupation with small business development finance by the banks and other financial institutions (October 10 Management Page). In short there has been something of a response, but less than a revolution.

It is becoming daily more evident that Britain cannot move longer delay the launching of another industrial revolution. The fiscal inspiration for entrepreneurs can however come, pre-empted by the way of an attitude change in the financial fraternity but only through the re-creation of the classical capital market.

Basic to that market was that the corporate enterprise belonged solely and totally to the shareholders. Ownership implicitly and explicitly meant annual distribution of the whole annual surplus of "profits" to such shareholders. That distribution was both source and information for the continuum of re-evaluation of resource-allocation of investment funds. It was the fiscal dynamic for the vast expansion of capitalism and competi-

tion—the latter as critical as the former both to small business development and "industrial democracy."

If any content can be given to industrial democracy (it certainly has a meaning), then workers' liberties and choices can be secured only through employers' competition.

The fiscal dynamic of the classical capital market is furthermore vital to the continued interacting dynamic of entrepreneurial management. In essence the entrepreneurial act is sustained by managerial activities and, under contemporary conditions, creative, innovative and risk-taking managers secure outside finance to become entrepreneurial small businesses. Industrial democracy as conceived by the Bullock Report becomes a disastrous encombrance on the critical fiscal compulsion to enforce annual payout of capital profits to owning shareholders. No sensible small business regeneration can otherwise occur.

(Dr.) Ralph Horvitz (Visiting Fellow in Business Policy), London Regional Management Centre, 311, Regent Street, W1.

Terminological inexactitude

From Mr. M. Mitchell

Sir—You tell us (October 9, Back Page) that the National Coal Board and the Central Electricity Generating Board have agreed to subsidise the sale of coal to power stations at a cost "to the Government" of about £25m. The terminology is inexact. Let's get it mol.

M. R. S. Mitchell, The Old House, Aldham, Nr. Colchester, Essex.

Exchange control

From Mr. W. Platt

Sir—Mr. Finlay (October 12) does not understand the significance of a non-resident holding sterling: so long as he holds the sterling there exists a contingent liability to the foreign exchange reserves. Put it another way, if the Spaniard does not want sterling he sells it for another currency. He sells the sterling to a willing buyer (another non-resident) at a price. The more sterling being sold, or on offer to non-residents the lower the price in terms of other currencies, i.e. sterling is devalued and our foreign currency reserves are depleted. Without these reserves we cannot pay for our imports. This is the valuable property which is being removed and the reason for having exchange controls.

W. P. Platt, 80, London Wall, EC2.

Getting rid of moles

From Mr. R. Nott

Sir—My friend, General Cowley (October 5) suggests getting rid of moles with either bullets or bottles. I am sure to see the little blighters to shoot them? And, as for surrounding, the garden with bottles, quite apart from danger to children, etc., he must be much thirstier and richer than I to be able to accumulate enough empires.

I found a simpler solution

Like General Cowley I had moles in the rough grass and let them be. One morning a molehill appeared in the middle of a lawn. Something had to be done quickly with whatever was available. I poured a small quantity of cress into the run, and had no more trouble.

Robert Nott, Englefield Cottage, Hurtmore, Godalming, Surrey.

Choice of weaponry

From Mr. S. Tonge

Sir—If General Mulloy is winning his mole campaign he is to be congratulated—and somewhat envied—and I hope he may disclose more of his strategy and choice of weaponry to others who are less gifted. My smoke bombs have a noticeably aphrodisiac rather than lethal effect.

High View, Kintbury, Newbury, Berkshire.

The value of sterling

From Mr. H. Cole

Sir—Samuel Brittan argues (October 5) that, as a prelude to joining the new European monetary system, the pound's value will have to be adjusted (downwards) to a level which will be able to sustain in the market for at least three to six months. But this raises a problem in itself. In the recent past, intervention by the Bank of England seems to have been at least as much directed to dampening as to sustaining the value of sterling. Consequently, if we are to move to a rate which is different from that which the market would establish, how is the pound to be kept there for the three to six-month period when, by definition, it will be out of line with its market value?

Harvey R. Cole, 9, Clifton Road, Winchester.

A currency system

From Mr. D. Dale

Sir—All efforts to stop the fall of a weak currency by borrowing are doomed to failure. In the 1930s the Exchange Equalisation Fund was swallowed up in no time when the French Franc lost the confidence of other countries. After the war we were almost obliged to death in our efforts to avoid devaluations of the pound. Very late in the day we accepted the inevitable and allowed the pound to float freely thus saving ourselves from a far worse economic fate.

It would be stupid in the extreme to sign an agreement which tied the pound to the stronger currencies of our European neighbours. These countries would then continue to flood Britain with competitively priced goods and lend us the money to pay for them, while our own industries continued to decline. This is the quick way to the pawn shop.

We should take the exactly opposite road: stick to a fully floating pound and tackle the heavy job of rebuilding our industries by producing better and cheaper. The pound would then strengthen itself. The Prime Minister had to resign the Chancellorship because he tried in vain to avoid devaluing the pound. Surely he

Safety at work

From the Safety Adviser, Engineering Employers' Federation

Sir—Philip Bassett's article "Unions' chance to cut accident" (October 3) contains a good pointed version of the regulations which allow recognised trade unions to appoint safety representatives at workplaces from October 1.

He states, however, that under the Health and Safety at Work Act "employers are open to two years' imprisonment and/or a fine not greater than £1,000 on summary conviction." Employers—or anyone prosecuted for a breach of the Act's provisions for that matter—are not liable to be faced with a term of imprisonment except in a very limited number of cases of indictment. Imprisonment can be imposed as well as a fine, as section 33(3) of the Act makes clear, if anyone is guilty of offences in connection with any of only four requirements: contravening the terms and conditions of any licence, disclosing certain types of information; keeping, using, etc., explosives contrary to statutory provisions; contravening the conditions of a prohibition notice.

P. E. Arscott, Broadway House, Tottill Street, Westminster, SW1.

Electrical energy

From Miss M. Watchorn

Sir—The purpose of coal-mining the Vale of Belvoir is, quite simply, to provide jobs for miners. It would render some hundreds of acres non-viable for farming, and food is the most important productive use for land.

The most efficient—practicable—way of generating further electricity is nuclear fission using fast breeder reactors. There is much semi-hysterical anti-nuclear propaganda perpetuated in a very "close-minded" manner.

The Windscale Inquiry was an extremely thorough, painstaking, patient delving into the pros and cons of nuclear and alternative technology including some hilarious suggestions of windmills in the North Sea and sugar beet in the Lake District (page 35, paragraph 8.51). It is a pity the anti-nuclearites cannot be bothered to read it.

The most disturbing revelation of the inquiry must surely be on page 33, paragraphs 8.40, 41, and 42, referring to the Ford Foundation Report on the cost in life and health of coal-fuelled power plants. The report evidently confirms what many of us, living in the vicinity (9 miles in our case) of coal-burning power stations, have known for years.

Why is Mr. Wedgwood Benn, Minister for Energy, keeping this Report unpublished? The public have a right to know the risks of various technologies.

(Miss) M. Watchorn, 53 Priory Road, West Bridgford, Nottingham.

Today's events

GENERAL Prime Minister confers with Ministers accompanying him to Bonn on Wednesday to discuss monetary proposals.

Mr. Anthony Wedgwood Benn speaks at East Lothian and Prestonpans Labour Clubs, prior to by-election on October 26. Nominations close for by-elections at Pontefract and Castleford; and Berrwick and East Lothian.

TGWU and National Union of Seamen threaten industrial action in union recognition dispute with Scot Catering and Offshore Services, Aberdeen.

Unions and management negotiating committee reports to unions at Vauxhall Motors on

self-financing incentive scheme.

Financial Times two-day conference on "Outlook for Italy" opens in Rome.

Fifteen Federal by-elections in Canada governing Liberal Party not expected to do well.

U.S. Assistant Treasury Secretary Bergsten talks to West German Government in Bonn on international monetary matters.

Foreign Ministers of UK, U.S., West Germany and Canada talk to South African Government in Pretoria.

Sheikh Yamani gives annual distinction lecture to Fellowship of Engineering, Guildhall, London.

EEC Finance Council meets in Luxembourg.

London Chamber of Commerce mission to Libya reports back and discusses export opportunities.

Evening Newspapers Advertising Bureau publishes survey on advertising attitudes.

Faculty of Actuaries meet in Edinburgh.

Lord Mayor of London opens Charrington's new office block at Anchor Brewery, Mill End, E1.

OFFICIAL STATISTICS Department of Trade publishes September provisional retail sales figures.

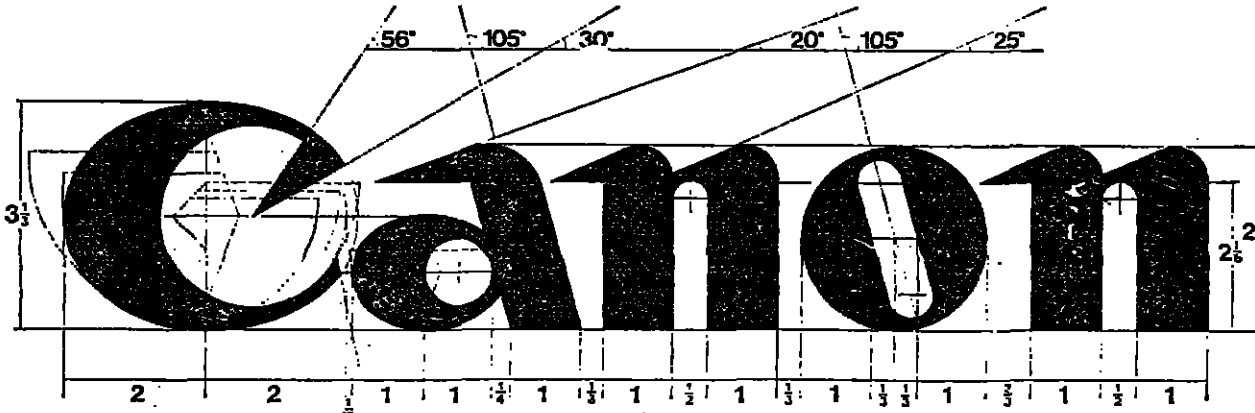
COMPANY RESULTS Final dividends: Forward Technology Industries, Rugby Portland Cement, W. A. Tzack and Co. Interim dividends: BSG International, Dorrington Investment Group, Steel Brothers Holdings, Wood and Sons (Holdings).

COMPANY MEETINGS See Financial Diary, page 7.

SPORT Boxing: Henry Rhiney (Luton) v. Chris Walker (Sheffield) at World Sporting Club, London.

Gold European Open Championship—qualifying, at Kingswood, RAC and Cuddington.

Tennis: BMW Challenge, Women's International Tournament, Brighton.



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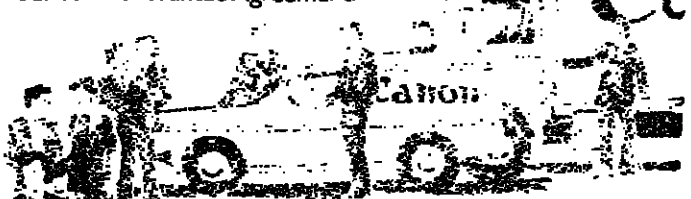
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- NP5000 For general office use. Copying up to 11" x 17" at a fraction of the cost of other large copiers.
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COMPANY NEWS

Dawson claims breach of confidence by Baird

BY TERRY OGG

Mr. Alan Smith, chairman of Dawson International is expected to disclose today that he has written to Mr. Stanley Field requesting his resignation from Dawson's Board.

Mr. Field is chairman of William Baird, Dawson's largest shareholder, which is currently bidding for the Dawson shares it does not already own. The resignation request follows the release by Baird of details of the frustrated Dawson bid for John Haggas, a Yorkshire-based worsted yarn spinner.

The Dawson Board appears to regard the release of the details as a breach of confidence. It is an example of the conflicts of interest inherent in the Dawson Board, the Board claims.

Perhaps anticipating such a move, Mr. Field, in the letter to Dawson shareholders outlining the Dawson-Haggas transaction, Baird should immediately inform all Dawson shareholders of its opposition to the proposed Haggas transaction and the alternative proposals which Baird was willing to put forward to all other Dawson shareholders.

The Board of Baird decided that, in view of the proposed terms of the Dawson-Haggas transaction, Baird should immediately inform all Dawson shareholders of its opposition to the proposed Haggas transaction and the alternative proposals which Baird was willing to put forward to all other Dawson shareholders.

The resignation claim is just one of a number of defence devices Dawson is using to beat off a bid it has dismissed as being "totally unacceptable both commercially and financially."

It is also expected to announce a substantial increase in dividends, make a more optimistic profit forecast and disclose that it is in the process of completing a revaluation of assets.

But the main thrust of its defence is likely to be that the shareholders would be better off if the company was left to stand on its own feet than if it became part of William Baird.

Should the Baird bid be defeated, Dawson will almost certainly proceed with the Haggas transaction and it is looking closely at a second acquisition in the textile industry to round off its product range.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in fact or likely to be paid.

TODAY Interiors—Allied Plant, BSC International, Brook Street Bureau of Marfair, Dornier Investment, Rugby Portland

Concent Senior Engineering, Steel Bros. Wood and Sons

Finals—Forward Technology, W. A. Tyndal

FUTURE DATES

Berkley Hambro Properties Oct. 29
Central and Sherwood Oct. 17
Gerrard and National Discount Oct. 19
More O'Ferrall Oct. 23
Nippon Twenty-Eight Int. Trust Nov. 2
Websters Publications Oct. 18

Finals
Burdette Investments Oct. 19
Equity Income Trust Nov. 1
Peters Stores Oct. 20

New pension retirement policy launched by Royal

A NEW improved form of pension contract for the self-employed has been launched by Royal Insurance, designed to provide the maximum possible tax free cash sum at retirement.

The new form of Personal Retirement Policy the contributions are accumulated in a fund at a guaranteed rate of interest to which is added bonuses whose value will depend on the investment performance of the fund. At the date of retirement at time between the 60th and 73th birthday, the sum so accumulated can be used either to provide a pension or a tax free cash sum together with a reduced pension.

The new policy will incorporate an open market option, which will enable the investor at the time of retirement to take the value of the accrued rights under the contract and purchase the pension on the open market, that is with another life company. Royal states that the value of these accrued rights will not be less than 85 per cent of the amount of the retirement fund, including bonuses.

The investor has the choice of paying premiums on a regular periodic basis or by a series of single premiums or a combination of both. Under Royal's current bonus rates, a man aged 49 paying 16 annual premiums of £1,000 each could expect on retirement at age 65 to receive a tax free

cash sum of £12,072 plus a pension of £4,024 per annum. The contributions would qualify for tax relief at the investor's top tax rate.

The alteration between Sime Darby and Turquand's Barton Mayhew, the auditors which the company proposes to replace by Price Waterhouse, could flare into open battle later this week.

Turquand's plans to hold a press conference about the issue in Kuala Lumpur some time this week.

The firm has already said that it does not accept Sime's stated reasons for wanting Price Waterhouse to replace Turquand's.

Sime says that PW extensive worldwide representation will make it better placed to deal with the international affairs of Sime.

Turquand's does not accept this as a valid reason and at a press conference earlier this month in London claimed that Sime must have other reasons for the proposed replacement.

At the Press conference one director said that Sime had verbally given him at least one other reason.

Turquand's is now arguing strongly that shareholders should be given the full reasons for the Board's decision to dismiss Turquand's.

Meanwhile, time is running out as Sime is in the last stages of preparing its accounts in which the directors must make a recommendation one way or the other over the auditors for the current year.

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Lord Boyd-Carpenter, chairman of Rugby Portland Cement, who is due to announce half year results today.

Sime Darby row with auditors escalates

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BSC men accept plan to bring River Don works to profit

A British Steel Corporation plan to get its most consistent Sheffield loss-maker, the \$300-million River Don works, back into profit by 1981 has been accepted by the work force.

The plan, which combines the UK's biggest force with a modern foundry and steel-melting and engineering facilities, has been a consistent loss-maker. In recent years losses are thought to have exceeded \$10m.

Now, after nine months of bargaining, unions have accepted a sweeping new business plan for

River Don which will include plant into new markets. The plan also includes the closure of some of the works' less profitable sections.

BSC officials at the works say the new plan will "put our house in order."

The agreement explains: "It is the aim of those employed within the River Don and associated works to make the works into a profitable enterprise, showing an acceptable return on capital by 1981."

The modernisation is expected to be accompanied by vigorous product development to take the

important breakthroughs in less steel casting and the production of North Sea oil equipment have been achieved.

The huge plant faced deep closure in 1971-72 after a fire, part of it was moved to a complex Sheffield between the River Don and the BSC's main steel-making and engineering facilities.

Substantial union action blocked such plans since then BSC has increased its investment in upgrading both the plant and foundry facilities.

More support for development council

There was more support at the weekend for the campaign to safeguard the North of England Development Council, the future of which is threatened by plans to restrict its activities.

Liberal councillors on the Tyne and Wear County Council, the job-hunting agency's biggest backer, want the organisation retained in its present form.

They have tabled a motion for this week's meeting of the County Council deploring moves to cut

its operations and criticising the newly-formed North East County Council's Association for wanting to confine the NEDC's role to promotion and publicity.

The influential Northern Regional Council of the Labour Party has already come out in support of preserving the NEDC until the Government approves plans to strengthen the Northern Economic Planning Council.

But the council is sure to be resisted at the County Council meeting by the Authority's labour group, which has voted to withdraw its 25 per cent grant from the NEDC.

This follows criticism of the NEDC's activities by the Labour Party, particularly the number of overseas trade missions it has sent.

The picture has been even more bleak for the NEDC in the past few years. It has received a grant of \$500,000 from the Government.

IBM abandons plans for Manchester F1

IBM, the world's biggest computer company, is abandoning plans to develop a new regional headquarters at Bowdon in Greater Manchester following rejection of its planning application by the local authority.

The company had been hoping to develop 20 acres on a 100-acre farmland site owned by the Church Commissioners but its proposal ran into very strong opposition in the area, one of Manchester's most prosperous suburbs.

The strength of local opposition has now persuaded IBM not to appeal against the rejection by Trafford Borough Council of the application although the company said yesterday it very much regretted the decision.

Nixon, managing director of IBM UK said the company had had to make a difficult decision to leave the site which would have cost £10m to develop.

The company is now expected to search for an alternative site in the north of England and in Scotland.

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Public Works Loan Board rates

| Effective from October 14 | | Non-secure loans A* repaid | | Non-secure loans B* repaid | |
|---------------------------|--------|----------------------------|--------|----------------------------|-------------|
| Years | by EPR | at maturity | by EPR | at maturity | at maturity |
| Up to 3 | 11.1 | 12.1 | 12.1 | 13.1 | 14.1 |
| Over 3, up to 5 | 12.1 | 13.1 | 13.1 | 14.1 | 15.1 |
| Over 5, up to 10 | 13.1 | 14.1 | 14.1 | 15.1 | 16.1 |
| Over 10, up to 15 | 14.1 | 15.1 | 15.1 | 16.1 | 17.1 |
| Over 15, up to 25 | 15.1 | 16.1 | 16.1 | 17.1 | 18.1 |
| Over 25 | 16.1 | 17.1 | 17.1 | 18.1 | 19.1 |

* Non-secure loans A are 1 per cent higher in each case than non-secure loans B. * Equal instalments of principal. Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). * With half-yearly payments of interest only.

THE CAPITAL & NATIONAL TRUST LIMITED

Secretary and Manager—Investment Trust Services Limited

Three year summary of results

| Year ended | Gross Revenue | Ordinary Shares | Paid | Gross Assets | Net Assets |
|------------|---------------|-----------------|-----------|--------------|-----------------|
| 31st July | £000 | per share | per share | £000 | Value per share |
| 1976 | 961 | 3.60p | 3.50p | 20,770 | 129p |
| 1977 | 1,121 | 4.16p | 4.00p | 24,298 | 150p |
| 1978 | 1,242 | 4.66p | 4.60p | 28,317 | 180p |

Annual capitalisation issues have been made to "B" Ordinary Shareholders as follows: 1976 2,743,822% 1977 2,993,212% 1978 2,697,341%.

The twenty largest equity holdings detailed in the Report and Accounts equal 29.28 per cent of the portfolio.

In his statement SIR HUGH MACKAY-TALLACK said: "We are hopeful that the trend of rising dividends will continue and that your company's ordinary dividend will be at least maintained in the current year, even allowing for further 'B' share conversions. Against this background your directors recommend that the interim dividend for the current year be increased from 1.50p to 1.75p on the ordinary shares."

Copies of the Accounts are available from the Registrars, 85 Southwark Street, London SE1 0JA.

LOCAL AUTHORITY BONDS

| Authority (telephone number in parentheses) | Annual gross interest | Interest payable | Minimum sum | Life of bond |
|---|-----------------------|------------------|-------------|--------------|
| Barnley Metro. (0226 285222) | 11% | 1-year | £500 | 5-7 |
| Bradford (0274 26577) | 11% | 1-year | 500 | 5-7 |
| Chorley (02572 3811) | 11% | 1-year | 1,000 | 5-7 |
| Knowsley (051 548 6555) | 11% | 1-year | 1,000 | 6-10 |
| Manchester (061 236 3377) | 10% | 1-year | 500 | 2 |
| Poole (02013 5151) | 10% | 1-year | 500 | 6 |
| Poole (02013 5151) | 11% | 1-year | 500 | 6-7 |
| Redbridge (01-478 3020) | 11% | 1-year | 200 | 6-7 |
| Salisbury (0722 2426) | 11% | 1-year | 100 | 5-7 |
| Southend (0702 49431) | 10% | 1-year | 250 | 3 |
| Thurrock (0473 5122) | 11% | 1-year | 200 | 4 |
| Thurrock (0473 5122) | 10% | 1-year | 300 | 3 |
| Wrexham (0952 503031) | 11% | yearly | 1,000 | 5-6 |

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 3.11.78.

Terms (years) 3 4 5 6 7 8 9 10

Interest % 11 11 11 12 12 12 12 12

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-925 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

These securities having been sold, this announcement appears as a matter of record only.

New Issue

\$200,000,000

(Canadian Dollars)

Bell Canada

9.85% Debentures, Series DF, Due 2005

To be dated October 12, 1978

To mature October 15, 2005

A. E. Ames & Co. Limited

Wood Gundy Limited

Dominion Securities Limited

Merrill Lynch, Royal Securities Limited

McLeod Young Weir Limited

Greenshields Incorporated

Nesbitt Thomson Securities Limited

Pitfield Mackay Ross Limited

Richardson Securities of Canada

Burns Fry Limited

Lévesque, Beaubien Inc.

Midland Doherty Limited

Walwyn Stodgell Cochran Murray Limited

Bell, Gouinlock & Company, Limited

René T. Leclerc Incorporee

Equitable Securities Limited

Mead & Co. Limited

Morgan Stanley Canada Limited

Molson, Rousseau & Cie Limitee

Tassé & Associés, Limitee

Pemberton Securities Limited

Odlum Brown & T. B. Read Ltd.

Brault, Guy, O'Brien Inc.

R. A. Daly & Company Limited

Geoffrion, Robert & Gélinas Ltée

MacDougall, MacDougall & MacTier Ltd.

A. E. Osler, Wills, Bickle Limited

Houston Willoughby Limited

John Graham & Company Limited

Casgrain & Company Limited

Maison Placements Canada Inc.

Andras, Bartlett Cayley Ltd.

Grenier, Ruel & Cie Inc.

Scotia Bond Company Limited

Burgess Graham Securities Limited

McLean, McCarthy & Company Limited

AER LINGUS, TEORANTA

U.S. \$20,000,000 8 1/2 PER CENT LOAN 1981

NOTICE IS HEREBY GIVEN that in carrying out the operation of the underwritten fund of U.S. \$20,000,000 have been purchased and the underwritten Bonds amounting to U.S. \$20,000,000 were this day drawn by RICHARD GRAHAM ROBERTSON & CO. (INCORPORATED IN IRELAND), Sole Agents, for the issue of the above Bonds, for payment at par on the 15th November, 1978, from which date all interest thereon will cease.

| BOND NUMBERS: | | 1977/78 | |
|---------------|---------|----------|----------|
| 0127-37 | 0127-37 | 10077-98 | 10077-98 |
| 0127-38 | 0127-38 | 10113-20 | 10113-20 |

INTERNATIONAL FINANCIAL AND COMPANY NEWS

UK DIVIDENDS

LTV reduces reported net income for last four years

DALLAS, Oct. 15.

LTV has restated its consolidated earnings and those of its subsidiary, Jones and Laughlin Steel Corporation, for the years 1974 to 1977, reducing LTV's net income for the period by \$26.6m and Jones and Laughlin's by \$15m, agencies report.

The restatement was made to correct accounting errors in Jones and Laughlin's statement, which used a "last-in, first-out" method of inventory accounting.

LTV said that its Board agreed to enter into a consent decree with the SEC stemming from an SEC investigation into the company's prior reported earnings for several years.

Its expected signing on Monday of the consent decree would clear the way for the special meetings and December 5 by shareholders of LTV and Jones and Laughlin to vote on their pending merger.

In addition to the merger terms previously announced, the boards have voted to offer holders of LTV Series A preferred stock the option to receive two shares of the new LTV \$2.50 Series B cumulative preferred stock for each share owned.

Each share of the new Series B stock to be issued in connection with the merger will be convertible into 2.3 shares of LTV common and 0.3 shares of the new LTV Series B cumulative convertible preferred stock.

Our Financial Staff adds: LTV reports a consolidated net loss of \$38.7m for 1977, against a profit of \$30.7m in 1976. In 1975, net profits were \$13.1m, and in 1974, \$11.7m. In the first half of 1978, net earnings of \$8.4m were realised, in spite of a first quarter loss of \$25m.

Von Roll expects to stay in the red

By John Wicks

ZURICH, Oct. 15. THE SWISS engineering concern, Von Roll of Gerolshausen, expects to remain in the red during the current financial year, ending November 30. Last year net losses were cut to SwFr 108,000 after a return by the parent undertaking from a negative to a positive cash-flow.

In a letter to shareholders, the Von Roll president Dr. Paul Koehli says that the success of the concern's re-organisation programme has been seriously impaired by exchange rates. This had led to a negative trend in operating results after the first quarter, which Von Roll was now countering with "even more rigorous cost-saving measures." Liquidity remained good, however, and corporate re-organisation and productivity improvement was continued.

For the first nine months of the current financial year, group turnover remained at 1976-77 levels. Sales of the parent company fell by 4 per cent, as a result of the rise in the Swiss franc. Among major subsidiaries, profitability of the Swiss steel company, Montedison, of Bodio, deteriorated.

RECENT ISSUES

| EQUITIES | | | | | | | | | |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Issue Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price |
| 776 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |

FIXED INTEREST STOCKS

| Issue Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |

"RIGHTS" OFFERS

| Issue Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price | Alt. Price |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |
| 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 | 101 |

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

| Date | Announcement last year | Date | Announcement last year |
|----------------|------------------------|------------|------------------------|
| Acrow | Nov. 3 | Int. 1.375 | Nov. 3 |
| Allied Irish | Nov. 3 | Int. 1.875 | Nov. 3 |
| Almari London | Nov. 10 | Int. 1.875 | Nov. 10 |
| Anglo Am. | Nov. 10 | Int. 1.875 | Nov. 10 |
| Arbuthnot | Nov. 10 | Int. 1.875 | Nov. 10 |
| AS Foods | Nov. 10 | Int. 1.875 | Nov. 10 |
| B&B Industrial | Nov. 10 | Int. 1.875 | Nov. 10 |
| B&K of Ireland | Nov. 10 | Int. 1.875 | Nov. 10 |
| Beecham | Nov. 10 | Int. 1.875 | Nov. 10 |
| Bircham | Nov. 10 | Int. 1.875 | Nov. 10 |
| Brown Shipley | Nov. 10 | Int. 1.875 | Nov. 10 |
| Buckley | Nov. 10 | Int. 1.875 | Nov. 10 |
| Burroughs | Nov. 10 | Int. 1.875 | Nov. 10 |
| Butcher | Nov. 10 | Int. 1.875 | Nov. 10 |
| Butcher | Nov. 10 | Int. 1.875 | Nov. 10 |
| Butcher | Nov. 10 | Int. 1.875 | Nov. 10 |
| Butcher | Nov. 10 | Int. 1.875 | Nov. 10 |

City Investing looks for gain

BY TERRY BYLAND

RECENT PREDICTIONS on Wall Street of earnings this year of \$10m to \$15m from City Investing, the insurance and steel products group, described as a "good figure" by the chairman and chief executive, Mr. Geo. T. Sharfberger in London. He added that the group looks for a 20 per cent increase in sales to around \$3.6bn. In 1977, City Investing turned in earnings of \$32.5m on sales of \$3bn.

A significant proportion of the increased earnings will come from the insurance divisions, traditionally the group's principal profit makers, which are expected to push operating profit by 50 per cent to \$150m this year. The investment portfolio of the insurance side, now totals some \$1.6bn and is expected to earn \$100m this year.

Mr. Sharfberger and other board members are currently paying an annual visit to the UK, where the group's operations earned \$3.3m this year, chiefly from its steel container and plastics business.

MEDIUM-TERM CREDITS

Utility negotiations generate interest

BY FRANCIS GHILES

BANKERS are following closely the outcome of current negotiations between the French electricity board, Electricite de France (EDF), and the leading French banks, the result of which could be the launching of a \$300m 10-year credit with split spread over the inter-bank rate of just 1 per cent rising to 4 per cent.

It is far from certain that this credit will be launched. There have been persistent reports that Japanese banks have proved reticent in joining in the management group. They are very sensitive to the criticisms levelled at them in recent weeks, especially by some U.S. banks, who feel that the Japanese banks are helping to push spreads down even more by their eagerness to participate in credits on terms which the U.S. bankers feel are unrealistic.

Although the outcome of the proposed EDF loan is not clear, it will, whichever way it goes, constitute a benchmark for the medium term syndicated market.

It would represent the first time a borrower had succeeded in obtaining a spread below half a per cent in the current cycle, and would suggest that the fall in spreads witnessed in the past two years is not yet over.

Its significance would be more psychological for bankers than real, insofar as this credit would be used as a back-up line for commercial paper to be issued in the U.S. in other words it is unlikely to be drawn. The fees being paid by the borrower would be unchanged from the last time EDF arranged a back-up line for commercial paper earlier this year.

The Federal Government of Canada is refinancing the major Canadian facility it arranged with the European currency snake, last autumn it arranged a \$1.5bn facility, which was increased last April to \$2.5bn. For seven years on a split spread

over the London interbank rate of 1 per cent for the first three years rising to 1 per cent. The standby fee on the undrawn portion of the loan was 1 per cent.

The new terms the borrower is paying include a spread of 1 per cent throughout for eight years and a standby fee of 1 per cent. The amount, \$2.5bn, is unchanged. At the end of the last year \$2bn of the total of \$2.5bn is understood to have been drawn.

Last May the Federal Government arranged a further standby facility, this time with a group of U.S. banks, amounting to \$3bn.

Currency, Money and Gold Markets

London fears the worst

BY COLIN MILLHAM

Interest rates continued their seemingly inexorable rise in the U.K. and Europe last week, contributing to the nervous activity which has been over the London money market.

Discount houses are now running very short books, while London-based banks have become increasingly reluctant to lend funds except for very short periods. The six-month interbank rate rose above 11 per cent on Friday, about 1 per cent higher than at the beginning of the month, and the yield curve on

GOLD

| Gold Bullion (in fine ounce) | Oct. 13 | Oct. 12 |
|------------------------------|----------|----------|
| Close | \$224.25 | \$224.25 |
| Opening | \$224.25 | \$224.25 |
| High | \$224.25 | \$224.25 |
| Low | \$224.25 | \$224.25 |
| Settlement | \$224.25 | \$224.25 |

CURRENCY RATES

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

THE POUND SPOT

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

FORWARD AGAINST £

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

EXCHANGE CROSS RATES

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

MONEY RATES

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

THE DOLLAR SPOT

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

FORWARD AGAINST \$

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

OTHER MARKETS

| Currency | Oct. 13 | Oct. 12 |
|-------------------|---------|---------|
| U.S. dollar | 1.5962 | 1.5962 |
| Canadian dollar | 1.5962 | 1.5962 |
| Swiss franc | 1.5962 | 1.5962 |
| Japanese yen | 1.5962 | 1.5962 |
| Deutsche mark | 1.5962 | 1.5962 |
| French franc | 1.5962 | 1.5962 |
| Italian lira | 1.5962 | 1.5962 |
| Spanish peseta | 1.5962 | 1.5962 |
| Portuguese escudo | 1.5962 | 1.5962 |
| Belgian franc | 1.5962 | 1.5962 |

Today

Our London Branch opens.

You are cordially invited to visit the manager, Mr. Akira Iinuma, and his staff at

Winchester House, 77 London Wall, London EC2N 1BE, U.K.
Telephone: 01-638-2191

TOYO TRUST BANK

The Toyo Trust & Banking Co., Ltd., Tokyo, Japan

International Department: Address: 2-5, 1-chome, Nihonbashi, Chuo-ku, Tokyo, Japan
Telephone: 03-271-7881 Telex: J22123 TYTBKJ

London Branch: Address: Winchester House, 77 London Wall, London EC2N 1BE, U.K.
Telephone: 01-638-2191 Telex: 885619 TYTBKJ LDN

New York Branch: Address: 140 Broadway (37th fl.), New York, N.Y. 10005 U.S.A.
Telephone: (212) 480-1234 Telex: 222675 (TTBCUR)

Hong Kong Representative Office: Address: 26th Floor, Alexandra House 16-20, Chater Road, Central, Hong Kong
Telephone: 5-265657 Telex: 85198 TYTHK

BY NICHOLAS COLCHESTER

CURRENT INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead manager | Offer yield % |
|--|--------------|----------|-------------------|-------------|-------|---|---------------------|
| U.S. DOLLARS | | | | | | | |
| ††Canada | 400 | 1983 | 5 | • | • | Morgan Stanley | • |
| ††Canada | 350 | 1998 | 20 | • | • | Morgan Stanley | • |
| †Banque Exterieur d'Algerie | 40 | 1985 | 7 | 7½ | 100 | National Bank of Abu Dhabi | 7.64 |
| †Gotabanken | 25 | 1988 | 10 | 6 | 100 | S.G. Warburg | 6.09 |
| †Central Telephone & Utilities Corp. | 40 | 1993 | — | 7 | • | Dean Witter Reynolds | — |
| †Long Term Credit Bank of Japan | 75 | 1985 | 7 | 5½ | 100 | Crédit Suisse First Boston Credit Lyonnais | 5.32 |
| D-MARKS | | | | | | | |
| †**Estel NV | 50 | 1985 | 7 | 6½ | 100 | Deutsche Bank | 6.25 |
| †Venezuela | 150 | 1990 | 9½ | 6½ | 100 | WestLB | 6.5 |
| †Marudai Food | 50 | 1987 | — | 3½ | 700 | Deutsche Bank | 3.5 |
| Banque Exterieur d'Algerie | 100 | 1985 | 6 | 7½ | • | DG Bank | — |
| Argentina | 150 | 1988 | 8 | 6½ | • | Deutsche Bank | — |
| †*Compagnie Financier de la Deutsche Bank | 100 | 1984 | 5½ | 5 | — | Deutsche Bank | — |
| **Eurofima | 80 | 1988 | 8½ | 5½ | 99½ | Deutsche Bank | 5.568 |
| Austria | 150 | 1990 | 9½ | 5½ | • | WestLB | — |
| **Commerzbank Int. Bank America Corp. | 100 | 1983 | 5 | 5 | 99½ | Commerzbank | 5.12 |
| Malaysia | 150 | 1990 | 12 | 5½ | • | Deutsche Bank | — |
| SWISS FRANCES | | | | | | | |
| KUWATTI DINARS | 80 | 1990 | n.a. | 4½ | 100 | UBS | 4.75 |
| †Electrobras (g'eed Brazil) | 10 | 1985/90 | — | 8½ | 100½ | KIIC | 8.20 |

BY ANDREW FISHER

U.S. BONDS

But there is already mounting scepticism about the value of the forthcoming anti-inflation package from President Carter, particularly the expected voluntary wage-price guidelines. Most attention is focused on the growing conviction that the underlying inflation rate is now running at 10-12 per cent a year, up from 8 per cent a year last band, and showing no signs of slowing.

In spite of these concerns, however, bond market prices have still not declined to the lows registered in July. Triple-A rated long-dated utility bonds, for example, are currently yielding 8 per cent, compared with 13 per cent in mid-May, according to Salomon Brothers.

After the reassuring reception given to last week's corporate issues, a couple of more substantial offerings are coming to the market this week. Commonwealth Edison, a large Chicago-based electric utility, is floating a \$250m bond issue, and the nation's largest consumer finance company, General Motors, is offering \$100m of debentures due 1985 and \$50m of debentures due 2008. The issues are managed by Goldman Sachs.

[illegible][illegible][illegible][illegible]

DOMESTIC BONDS

Gloom in Dutch dealings

BY JEFFREY BROWN

ESPITE the steadiness shown at the close of last week, the Dutch bond market remains surrounded in uncertainty. The market's sharp rise in interest rates has certainly widened the yield differentials between Amsterdam and Frankfurt, but as long as the present currency turmoil persists—creating upward pressure on the DM—Dutch and Holland are likely to remain dismayed.

Since the middle of September, yields on longer dated bonds have risen by more than a point while the Dutch bank rate has risen 500 bps in the space of six weeks.

The latest Dutch state loan, due in 1990, was issued at a price of 101 when it was sold at 102. The 12.1% bonds are currently at 84.5 with a coupon of 7½ per cent compared with 8½ per cent for the most recent government backed bond. However, the Dutch Development

The present weakness of the Dutch guilder which market can be traced back to the budget (on September 19) with its hints of sharp jumps in the government funding programme. Then came the run on the guilder which, for the Dutch, became progressively more painful once the Swiss Government had put protective currency measures into operation, thus accelerating the international rush into the DM.

The upshot is that the guilder remains within the ERM, but only with the backing of a massive central bank support intended to have cost close to nil over the past four weeks.

ward market has swung from a sellable discount to a bid premium of 10 percent on the November 10, 1993, short-term V/F/D/M rate. The Dutch currency has clearly emerged out of the snake. All this is making for a particularly sticky time in fixed-income markets. As the uncertainties mount, so it begins to look as though borrowers coming to the front of the Dutch new issue queue are rapidly pulling out. Ironically, the most recent offering — FT 400m over 10 years at 8 1/2 per cent by the Dutch Development Bank — has been very quickly subscribed. It is now held largely as a result of the way investors have been switching funds out of the Dutch market.


Meanwhile, the latest new issue on the border, Frankfurt's B/D M 400m offering from the state of Hesse where the fine print says 6 1/2 per cent over 10 years — has left the placing agents sitting on perhaps as much as a quarter of the issue. The bid closed on Friday at a point equivalent to yield around 8.35 per cent.

Area: more than 130,000 sq. km.
Population: about 20 million with a per capita income in 1977 of 2,500 dollars.
Private consumption in the same year: 36 billion dollars.
These are the vital statistics of the Mezzogiorno, as Southern Italy is called.

The region is an economic and productive reality that no business interested in locating in Europe can afford to overlook. In fact, as an evidence of the interest shown by the international business community, the Mezzogiorno counts 277 manufacturing plants set up with the participation of foreign investors. Expanding markets, availability and trainability of labour, incentives, infrastructures; these are the main inducements to choosing the Mezzogiorno, as well, of course, as its ideal geographical position between the Mediterranean and the European countries.

The Mezzogiorno offers prospective investors cash grants up to 40% of fixed investment, soft loans, corporate tax waivers and a reduction in the cost of labor.

Further information is available on request from IASM, Institute for the Assistance in the Development of Southern Italy, a non-profit organization set up to promote industry and tourism in the Mezzogiorno and to provide consulting aid to companies already operating there or planning to do so.



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00197 Roma
Tel. (06) 8472
Telex 68232 IASMRMA

Milan office
Via Ariosto, 24
20145 Milano
Tel. (02) 487636
Telex 39125 IASMMILANO

OFFSHORE AND OVERSEAS FUNDS

Saxander Fund **Keyselex Mngt., Jersey Ltd.**

| |
|---|
| <p> Allen Harvey & Ross Inc. Mgt. (C.I.) 11, Charles Place, St. Helier, J.Y. 054-72761 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, </p> |
|---|

| | | | | | | | | | |
|---|--------|------|-------|------|------------------|--------|------|-------|------|
| Equity | 152.48 | 2.57 | -0.05 | 1.53 | Quest Intl Secs. | 152.48 | 2.57 | -0.05 | 1.53 |
| Income | 151.98 | 2.05 | -0.04 | 7.87 | Quest Intl Bd | 151.98 | 2.05 | -0.04 | 7.87 |
| Price at Oct. 11. Next dealing Oct. 12. | | | | | | | | | |

[illegible]

INSURANCE BASE RATE

Growth is the only way to ensure the future of your business

Guaranteed results with no risk to your business

Business shown under Insurance and Property Bonds

10

10

NOTES

* Not include \$ premium, except where indicated. † and are in place unless otherwise noted. ‡ Yields % (shown in last column) allow for all buying expenses. § Offered price less all expenses. ¶ To-day's price. † Yield based on offer price. ‡ Estimated. § To-day's

price. b: Distribution fees of U.S. taxes. p: Periodic premium insurance plans. a: Annual insurance. x: Offered price includes all expenses except agent's commission. t: price includes all expenses if bought through manufacturer. z: Previous day's price.

tax on realized capital gains unless indicated by e. † Externally gross ‡ Surplus
♦ Yield before Jersey tax. † Ex-subdivision.

100-443887-100

... ..

This advertisement is issued by Morgan Grenfell & Co. Limited on behalf of NOVO Industri A/S ("NOVO" or "the Company") in connection with the introduction to the Stock Exchange of D.Kr. 222,450,000 nominal amount of B Shares of NOVO and is issued in addition to the requirements of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any securities of NOVO. This advertisement has been approved and its issue authorised by the Board of Directors of NOVO.

Application has been made to the Council of The Stock Exchange for the B Share capital of the Company to be admitted to the Official List. Dealings are expected to commence on 24th October, 1978.

The information on the Company set out below comprises a summary of and extracts from the full particulars of the Company contained in the statistical cards circulated by Exel Statistical Services Limited and should be read in the light of such particulars. Copies of the statistical cards may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 30th October, 1978 from the brokers to the introduction, Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.

NOVO INDUSTRI A/S

(Incorporated as a company with limited liability in Denmark)



| The Board of Directors | | Corporate Management | |
|---------------------------|--|--|--|
| K. Holm-Nielsen, Chairman | | K. Hallas-Møller, President | |
| C. B. Andersen | | Kåre B. Dullum, Corporate Finance | |
| Alfred Hindbæk | | Kim A. Høeg, Enzymes Division | |
| K. Hallas-Møller | | Lars Josefsson, Corporate Research | |
| Bent Iversen | | H. Juncher, Quality Control and Regulatory Affairs | |
| K. Hansen-Olsen | | Jan Leshly, Pharmaceuticals Division | |
| Poul B. Poulsen | | Mads Ørsten, Corporate Affairs | |
| Hans Otto Pedersen | | | |
| Robert Pedersen | | | |

| Registered Office of the Company | | Auditors and Joint Reporting Accountants | |
|---|--|---|--|
| Novo Allé, DK-2880 Bagsværd, Denmark. | | Revisionsfirmaet Anker-Jensen, Dronningens Tværgade 5, DK-1302 Copenhagen. | Revisionsfirmaet C. Jespersen, Frederiksborggade 15, DK-1360 Copenhagen. |
| Bankers to the Introduction | | Legal Advisers | |
| Morgan Grenfell & Co. Limited, 25 Great Winchester Street, London EC2A 2AX. | | Kristian Mogensén, Amagervej 24, DK-1160 Copenhagen. | Baker & McKenzie, Crompton House, Aldwych, London WC2B 4JP. |
| Brokers to the Introduction | | Consultant Accountants | |
| Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. | | Price Waterhouse & Co., Southwark Towers, 32 London Bridge Street, London SE1 9SY. | |

SUMMARISED FINANCIAL INFORMATION

The statistical cards contain an accounts report comprising statements of the net income and appropriations and of the source and application of funds of the Company and its subsidiaries ("the Group") for the five years ended 31st December, 1977 and the six months ended 30th June, 1978 together with a statement of assets of the Company and of the Group at 30th June, 1978, notes thereon and a summary of the net assets of the Group at 31st December in each of the years 1973 to 1977. The following information relating to the Group has been extracted from the accounts report and should be read in conjunction with the detailed information appearing in the statistical cards.

| Net Income and Appropriations | | Year ended 31st December | | Six months ended 30th June | |
|--|---------|--------------------------|------------|----------------------------|------------|
| | | 1973 | 1974 | 1975 | 1976 |
| | | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 |
| Sales by company location | | | | | |
| Denmark | 240,171 | 308,394 | 331,889 | 428,743 | 477,927 |
| Overseas | 137,882 | 122,885 | 238,990 | 269,672 | 385,738 |
| | | 378,053 | 431,279 | 667,733 | 863,665 |
| Less: Cost of Sales, including selling, general administrative and research and development expenses | | 335,842 | 412,104 | 471,767 | 572,707 |
| Trading income before depreciation and interest | | 51,311 | 68,585 | 196,232 | 125,708 |
| Depreciation and amortisation | | 24,484 | 26,813 | 32,524 | 37,776 |
| Trading income before interest | | 26,827 | 41,772 | 163,708 | 87,932 |
| Net interest payable | | 17,879 | 23,762 | 30,758 | 32,153 |
| Income before taxation | | 8,948 | 18,010 | 133,050 | 55,779 |
| Taxation | | 2,898 | 3,864 | (800) | 11,824 |
| Income before minority interests | | 6,050 | 14,146 | 133,850 | 43,955 |
| Minority interests | | 6,244 | 15,283 | 37,716 | 44,247 |
| Income before extraordinary items | | 6,244 | 15,283 | 37,716 | 44,247 |
| Extraordinary items (losses, net of taxation relief) | | 6,244 | 15,283 | 37,716 | 44,247 |
| Net income | | 6,244 | 15,283 | 37,716 | 44,247 |
| Debit with as follows: | | | | | |
| Legal reserves | | 667 | 683 | 1,187 | 15,349 |
| Investment fund | | — | — | — | 15,090 |
| Dividends | | 5,625 | 7,425 | 10,158 | 15,483 |
| Unappropriated retained earnings | | (49) | 6,965 | 23,360 | 16,769 |
| | | 6,244 | 15,283 | 37,716 | 44,247 |
| Adjusted earnings per B Share of D.Kr. 100 nominal based upon: | | | | | |
| Minimum participation of A Shares | D.Kr. | 3.38 | 6.43 | 20.79 | 26.97 |
| Maximum participation of A Shares | D.Kr. | 3.38 | 6.43 | 20.79 | 26.97 |

| Summary of Net Assets | | Year ended 31st December | | Six months ended 30th June | |
|--------------------------------------|--|--------------------------|------------|----------------------------|------------|
| | | 1973 | 1974 | 1975 | 1976 |
| | | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 |
| Long-term assets | | 408,228 | 443,245 | 501,871 | 531,895 |
| Current assets | | 302,119 | 302,119 | 302,119 | 302,119 |
| Inventories | | 80,886 | 134,226 | 155,841 | 181,849 |
| Marketable securities | | 40,883 | 40,883 | 22,113 | 37,683 |
| Accounts receivable | | 84,581 | 89,445 | 115,114 | 142,182 |
| Cash and bank balances | | 18,441 | 6,388 | 54,129 | 23,448 |
| | | 224,791 | 270,942 | 347,227 | 385,269 |
| Less: Current liabilities | | | | | |
| Accounts payable | | 71,049 | 82,239 | 85,894 | 103,032 |
| Taxation | | 738 | 1,869 | 1,903 | 15,705 |
| Bank loans and overdrafts | | 83,109 | 121,747 | 131,114 | 150,785 |
| Proposed dividends | | 18,521 | 223,210 | 238,770 | 252,012 |
| | | 173,217 | 329,665 | 357,681 | 399,534 |
| Net current assets | | 49,574 | 40,277 | 190,146 | 185,735 |
| Less: Long-term loans | | (198,823) | (173,229) | (215,149) | (258,337) |
| Deferred taxation | | 8,088 | 7,288 | 11,912 | 5,872 |
| Minority interests | | (741) | (847) | (899) | (876) |
| Net assets | | 224,791 | 270,942 | 347,227 | 385,269 |
| Representing | | | | | |
| Share capital | | 135,000 | 135,000 | 203,347 | 204,104 |
| Reserves | | 44,487 | 45,140 | 143,880 | 181,165 |
| Long-term assets revaluation reserve | | 88,879 | 88,879 | 88,879 | 88,879 |
| Investment fund | | — | — | — | 15,090 |
| Unappropriated retained earnings | | 88,014 | 95,189 | 95,369 | 76,777 |
| Shareholders' funds | | 224,791 | 270,942 | 347,227 | 385,269 |

| SHARE CAPITAL, RESERVES AND INDEBTEDNESS | | Year ended 31st December | | Six months ended 30th June | |
|--|--|--------------------------|------------|----------------------------|------------|
| | | 1973 | 1974 | 1975 | 1976 |
| | | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 | D.Kr. '000 |
| Share Capital | | | | | |
| A Shares | | 135,000 | 135,000 | 203,347 | 204,104 |
| B Shares | | — | — | — | — |
| Reserves | | | | | |
| Unappropriated retained earnings | | 88,014 | 95,189 | 95,369 | 76,777 |
| Other reserves | | — | — | — | — |
| Shareholders' funds | | 224,791 | 270,942 | 347,227 | 385,269 |

The A Shares are not listed on any stock exchange and are all held by the NOVO Foundation which exercises voting control over the Company. The NOVO Foundation is a non-profit making institution whose main purpose is to aid scientific, humanitarian or social objectives. The Foundation is not involved in the management of NOVO.

The A Shares are entitled to 10 votes per D.Kr. 100 nominal amount of A Shares held and the B Shares are entitled to 1 vote per D.Kr. 100 nominal amount of B Shares held. The rights attaching to the A Shares and the B Shares (which are in bearer form) are summarised in the statistical cards. As regards dividends, the A Shares are entitled to receive out of the profits resolved to be distributed a dividend of one half of one per cent. of their nominal amount before payment of any dividend on the B Shares. The B Shares are then entitled to receive out of such profits a dividend of up to five per cent. of their nominal amount. Further dividends in respect of any financial year are determined by the Board of Directors and approved by the Company in General Meeting. Under the Articles of Association of the Company the total dividend paid on the A Shares expressed as a percentage of their nominal amount may not exceed the total dividend paid on the B Shares expressed as a percentage of their nominal amount.

On 12th October, 1978 the Company issued US \$20,000,000 7 per cent. Convertible Bonds 1989 convertible on or after 15th April, 1979 and up to and including 30th December, 1988 into B Shares at a conversion price subject to adjustment in certain events of D.Kr. 259 per D.Kr. 100 nominal amount of B Shares (with a fixed rate of exchange applicable upon conversion of the Bonds of US \$1=D.Kr. 5.3435).

Indebtedness
The indebtedness of the Group at 28th August, 1978 (before the issue of the Convertible Bonds) is set out below:

| Long-term loans | | D.Kr. '000 | |
|---|--|------------|---------|
| Secured loans | | | |
| Mortgages | | 158,415 | |
| Other loans | | 17,621 | 175,936 |
| Unsecured loans | | | |
| Bank loans | | 137,479 | |
| Other loans | | 2,625 | 140,104 |
| Less: Long-term loans repayable within one year | | | |
| Total long-term loans | | | 316,040 |
| Short-term borrowings | | | |
| Bank loans and overdrafts | | 108,018 | |
| Long-term loans repayable within one year | | 35,332 | 143,350 |
| Total short-term borrowings | | | 178,650 |

1. Short-term bank loans and overdrafts of D.Kr. 32.2 million are secured by charges on land and buildings. In addition, long-term loans of D.Kr. 29.3 million and short-term borrowings of D.Kr. 76.9 million are guaranteed by a bank in respect of which security has been given, to the extent of D.Kr. 17.7 million, by charges on land and buildings.

2. Loans denominated in currencies other than Danish Kroner have been translated at the appropriate exchange rates ruling at 28th August, 1978. The amounts so translated amount to D.Kr. 123 million of the long-term loans and D.Kr. 124 million of the short-term borrowings.

3. The Group had contingent liabilities at 28th August, 1978 of D.Kr. 3.2 million in respect of bills discounted.

BRIEF DESCRIPTION OF NOVO

NOVO is the parent company of an international pharmaceutical and biochemical group of companies based in Denmark which specialises in the manufacture and sale of insulin and enzymes. In 1977 96 per cent. of sales were made outside Denmark. Pharmaceuticals and enzymes accounted for approximately equal proportions of sales.

NOVO is believed to be the largest manufacturer in the free world of industrial enzymes sold in the open market. Enzymes are proteins which act as catalysts in biochemical processes and have a variety of industrial uses, e.g. for converting starch into fructose. Almost all the Group's manufacturing of enzymes takes place in Denmark, but it also manufactures in Switzerland and in January, 1979 expects to start manufacturing enzymes at a new plant in North Carolina, USA.

NOVO is the second largest producer of insulin in the free world. Insulin preparations are used in the treatment of the disease diabetes mellitus. NOVO's insulin is manufactured in Denmark. Some 575 people are employed in research and development, quality control and the provision of technological services.

The Group employs some 2,900 people of whom approximately 2,400 are employed in Denmark. Some 575 people are employed in research and development, quality control and the provision of technological services.

Financial Summary

| Year ended 31st December | | Six months ended 30th June | |
|-------------------------------|--|-------------------------------------|-------------------------------------|
| | | 1973 | 1974 |
| | | D.Kr. million except per share data | D.Kr. million except per share data |
| Sales | | 387 | 482 |
| Income before tax | | 9 | 13 |
| Earnings | | 6 | 15 |
| Total dividends | | 6 | 7 |
| Shareholders' funds | | 326 | 334 |
| Adjusted B Share price: | | | |
| High | | — | 89 |
| Low | | — | 35 |
| Adjusted earnings per B Share | | 3.38 | 6.43 |

The above summary should be read in conjunction with the detailed information on the Company appearing in the statistical cards.

On 5th September, 1978 the Board of Directors announced that total revenues for 1978 were expected to reach approximately D.Kr. 950 million and that it was expected that income before taxation in 1978 would amount to D.Kr. 105-115 million.

On 19th September, 1978 the Board of Directors announced its intention to recommend an increase in the rate of dividend on the B Shares from 8 per cent. for 1977 to 10 per cent. for 1978.

On 13th October, 1978 the closing bid price for B Shares on the Copenhagen Stock Exchange was D.Kr. 236 per D.Kr. 100 nominal amount of B Shares. At this price the total market value of the B Shares is D.Kr. 524.5 million, and the dividend yield before deduction of any withholding tax is 2.4 per cent. at the rate of dividend for 1977 and would be 4.2 per cent. at the intended rate for 1978.

BUSINESS

Introduction
NOVO is organised into two product divisions, for pharmaceuticals and enzymes, and into divisions which cover corporate research, corporate finance and engineering, corporate finance, corporate affairs and engineering and maintenance control and regulatory affairs.

The following table analyses the Group's sales by product division for the five years and six months ended 30th June, 1978:

| Year ended 31st December | | Six months ended 30th June | |
|--------------------------|--|----------------------------|---------------|
| | | 1973 | 1974 |
| | | D.Kr. million | D.Kr. million |
| Pharmaceuticals | | 183 | 217 |
| Enzymes | | 204 | 265 |
| Other revenue | | 6 | 13 |
| Total | | 393 | 495 |

The following table gives a geographical analysis of Group sales of pharmaceuticals and enzymes for the year ended 31st December, 1977:

| Year ended 31st December | | Six months ended 30th June | |
|----------------------------|--|----------------------------|---------------|
| | | 1973 | 1974 |
| | | D.Kr. million | D.Kr. million |
| Denmark | | 23 | 6 |
| North and South America | | 37 | 18 |
| E.E.C. (excluding Denmark) | | 138 | 133 |
| Rest of Europe | | 127 | 128 |
| Asia and Australasia | | 25 | 21 |
| Other | | 21 | 8 |
| | | 401 | 416 |

Pharmaceutical Division
NOVO's manufacture of pharmaceuticals is based mainly on the process of extraction, but the processes of fermentation and synthesis are also used. Its product range includes ethical pharmaceuticals for the treatment of diabetes mellitus and infectious and cardiovascular diseases. NOVO also manufactures diagnostic aids for clinical use and animal health products.

The most important products of this division are NOVO's range of insulin preparations and NOVO is the second largest producer of insulin in the free world. The raw materials used for the manufacture of insulin are porcine and porcine pancreas glands which are available from many countries and which NOVO obtains principally from Europe and the USA.

In recent years the emphasis of NOVO's insulin research has been on the development of purified insulin preparations. The result has been the introduction by NOVO of the Pro-Insulin Free Insulin and, in 1973, of the MC (monocomponent)-insulin preparations, the most highly purified insulin preparations marketed today (as measured by protein-like immunoreactivity). The use of insulin of this quality significantly reduces the likelihood of the immunological side-effects which complicate insulin therapy. Clinical trials have indicated that side-effects like allergic reactions may disappear and that insulin requirements may be reduced following transfer to MC-insulin.

NOVO is now marketing a range of insulin preparations of MC quality. These include Lente MC, Semilente MC, Monard MC, Ultra-lente MC, Rapid MC and Ascpid MC. In 1977 MC-insulin preparations accounted for 39 per cent. of the Group's insulin sales and Lente MC insulin for the remainder. The proportion of MC-insulin sales is expected to increase substantially over the next few years.

Insulin and trypsin are manufactured from organic material by extraction and purification. Similar techniques have been applied by NOVO to the development of processes for the manufacture of other products. These include Lysozyme for the treatment of thromboses and hepatitis for the prevention of blood clots and for the treatment of heart and circulatory disorders. NOVO also manufactures glucagon which is used in the treatment of insulin shock in diabetes therapy, in the treatment of certain acute heart diseases and as a diagnostic aid.

NOVO is also a substantial manufacturer and supplier of penicillin V and produces and sells other antibiotics for both human and veterinary use such as streptomycin, polymyxin and tetracycline. In addition, it is engaged in the manufacture and sale of preparations for the treatment of menopausal disorders (menopaus) and Tinservin and, as a result of a recent acquisition, it is now also engaged in the development, production and marketing of instruments for use in nuclear medicine.

In recent years NOVO has followed a policy of replacing agents and distributors in its important markets by its own international marketing organisation.

In most of NOVO's major markets its pharmaceutical preparations are sold by prescription only, and NOVO's marketing activities are therefore directed at the medical profession. NOVO supplies pharmaceuticals and hospitals either directly or through private or public wholesalers.

In most of NOVO's markets, public authorities regulate the introduction, marketing and pricing of pharmaceuticals.

Enzyme Division

Enzymes are proteins which act as catalysts in biochemical processes and have a variety of industrial uses. Enzymes may be produced by extraction from animal or vegetable tissue or by fermentation of micro-organisms. The Group manufactures its industrial enzymes almost exclusively by fermentation. Manufacture is based on raw materials of agricultural origin which are available from many countries.

NOVO is believed to be the largest manufacturer in the free world of industrial enzymes sold in the open market and accounts for some 40 to 50 per cent. of such sales. At the present time the largest users of enzymes are the detergent and starch industries. Sales to these industries represent about 75 per cent. of the Group's total enzyme sales.

In the detergent industry enzymes are used in the manufacture of detergents for the removal of protein and protein-based stains in laundry. There was a sharp decline in their use in the USA in late 1960 and early 1970 due to concern as to consumer safety with a consequent adverse effect on NOVO's sales and profits at that time. An investigation sponsored by the US Food and Drug Administration revealed in 1971 that this concern was largely unfounded. Since then NOVO's sales of detergent enzymes in the USA have shown some recovery.

In the starch industry enzymes, including NOVO's Sweetzyme, are used to convert starch into high fructose corn syrup ("HFCS"). HFCS is used as an alternative to sugar in the industrial production of canned fruit, soft drinks, ice cream, bakery products and sweets. The most important and expanding markets are the USA (where HFCS is competitive despite currently low sugar prices) and in Asia. In Europe the process is currently uneconomical due to the levy imposed by the EEC on HFCS sales. NOVO believes itself to be the largest supplier of enzymes in the world for conversion of starch into HFCS.

The enzyme trypsin is used by the leather industry in the tanning process to make hides soft and pliable, while other enzymes are used *inter alia* in the textile industry to remove starch from yarn; in the drinks industry in the production of beer, alcohol, wine and juice; and in the dairy industry in the manufacture of cheese.

The majority of NOVO's enzyme products are sold to industrial customers in high technology fields. Accordingly, NOVO's marketing organisation and research laboratories work closely with customers to identify new enzymatic processes and to develop them to industrial scale. Approximately 40 per cent. of the turnover of the enzymes division derives from a small number of large companies but no single customer accounts for more than 15 per cent. of total Group enzyme sales.

Research and Development

Expenditure on research and development, quality control and technological services, exceeded 10 per cent. of total Group sales revenue in each of the last 5 years. In 1977 D.Kr. 92 million was spent on these activities and in 1978 over D.Kr. 100 million is expected to be spent. NOVO considers these expenditures necessary to maintain its position as a specialised manufacturer operating within its defined areas of biology and biochemistry. Expenditure covers, *inter alia*, basic research, the development of new products and the monitoring of drug efficacy and drug and enzyme safety. Almost all NOVO's basic research is conducted in 26,300 square metres of laboratory at Bagsværd near Copenhagen. In all, about 550 people are employed in laboratories in Denmark, representing almost 25 per cent. of NOVO's employees in Denmark. Approximately 195 of the laboratory employees have academic degrees. Both basic research and technical support is undertaken at a smaller laboratory opened in 1976 in Wilton, Connecticut, USA, which employs approximately 25 laboratory staff.

NOVO's research and development activities have resulted in a number of patentable inventions. The policy of the Group is to secure patent protection wherever practicable in all of its major markets. Although NOVO's rights under such patents are considered to be important, NOVO does not regard its business as being materially dependent upon any single patent or any group of related patents.

Production Facilities

In the years 1973 to 1977 inclusive NOVO has spent D.Kr. 317 million on new plant and equipment. Expenditure in 1977 was D.Kr. 74 million and in 1978 it is expected to be D.Kr. 170 million. The 1978 expenditure includes a new insulin filling plant in Denmark, an enzyme manufacturing plant in North Carolina, USA and the acquisition of an enzyme manufacturing plant in Switzerland.

Annual maintenance costs are considerable as manufacturing plants must be kept at high levels of efficiency and cleanliness to ensure the quality of product required for ethical pharmaceuticals and for industrial enzymes, some of which are destined for the food industry. In 1977 D.Kr. 40 million was spent on this activity and in 1978 D.Kr. 42 million is expected to be spent. NOVO's engineering and maintenance division designs the layout of NOVO's facilities and production systems and supervises the construction of the new plants.

At present the Group operates three large production plants in Denmark and five smaller plants in Switzerland (2), Denmark, France and South Africa. The three large Danish plants are located at Kalundborg (967,000 square metres site area), Bagsværd (185,000 square metres site area) and Copenhagen (13,700 square metres site area) and produce pharmaceuticals and enzymes. The Swiss plants are located at Basle and Dillingen and manufacture enzymes; the Dillingen plant was acquired from Ciba-Geigy in 1978. The small Danish plant is located in Hadsund and manufactures electronic equipment for diagnostic uses. The plant in France finishes insulin preparations and the plant in South Africa finishes insulin and antibiotic preparations.

In addition to production facilities, NOVO has a major pilot plant at Bagsværd and smaller pilot plants in the USA, Switzerland and Copenhagen.

Management and Employees

The members of the Board of Directors ("the Board") and senior management ("Corporate Management") of the Company are shown above.

The Board consists at the present time of nine members; two are elected for a two year term by, and can only be re-elected by, the employees; the other members are elected by the Company in General Meeting for a term of three years. Retiring members may be re-elected. However, Directors must retire from the Board at the first ordinary General Meeting following the attainment of the age of 75.

The Board

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ART GALLERIES

CHANDLER GALLERY, 6, Carl Street, W.1
01-734 4626. Royal Academy, 21 Oct. Mon-Fri. 10-5. Sat. 10-1.

SUSAN SWALE'S SALOME, Field
Road, Gillingham, Kent. 10-11. 10-11.

J.P.A. FINE ARTS, 21, Davies Street, W.1
01-493 2830. RAUOL DUFF drawings,
watercolours 1900-1939. Oct. 10-Dec. 8.
Mon-Fri. 10-6.

MARINE ARTISTS, Royal Society's
Annual Exh. at Guildhall, E.C.2. Mon-
Sat. 10-5. Until 1 pm Nov. 3. Adm. free.

DRIAN GALLERIES, 7, Pinner Place,
W.10. Rooms: Paintings by MALIMA
NALECK. 10-5. Sat. & Sun. 10-1.

EYE, 189, Regent Street, 734 0557. A la
Carte or All-in Menu. Three Spectacular
Floor Shows 10.45, 12.45 and 1.45 and
music of Johnny Hawksworth & Friends.

GARGOYLE, 69, Dean Street, London, W.1.
NEW STRIPTEASE FLOORSHOW
11-3.30 am. Show at midnight and 1 am.
Mon-Fri. Closed Saturdays. 01-437 6455.

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TENDERS

TENDERS will be received by the Liquidator of Albaware Tiles & Pottery Pty. Limited (in liquidation) until 5th December 1978, for purchase of

BUILDING AND PLANT for manufacture of FLOOR AND WALL TILES.
LOCATION: Lithgow, 140km west of Sydney.
Building occupies 2.23 ha, with similar land area for expansion. Situated centrally to principal supply outlets of eastern Australia. Marketing and distribution system previously established. Production of tiles ceased after fourteen months production.
CAPACITY: Decorated glazed floor tiles, 20cm x 20cm, 360,000 square metres per annum.
Decorated glazed wall tiles, 15cm x 15cm and 20cm x 10cm, 720,000 square metres per annum.

Most of the plant designed and supplied by SACMI of ITALY.
For full production, including manufacture of bisque, some plant still to be supplied to complete installation, and some structural work incomplete. Unlimited supply of suitable clay available 110km from factory.
Full particulars will be provided to interested persons.
J. E. Walker, Official Liquidator,
109 Pitt Street, Sydney, Australia.
Telephone: (02) 2326566.

CONTRACTS AND TENDERS

TENDERS REQUIRED FOR THE PURCHASE OF
CERAMIC TILES FACTORY AUSTRALIA

TENDERS will be received by the Liquidator of Albaware Tiles & Pottery Pty. Limited (in liquidation) until 5th December 1978, for purchase of

BUILDING AND PLANT for manufacture of FLOOR AND WALL TILES.
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Building occupies 2.23 ha, with similar land area for expansion. Situated centrally to principal supply outlets of eastern Australia. Marketing and distribution system previously established. Production of tiles ceased after fourteen months production.
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Full particulars will be provided to interested persons.
J. E. Walker, Official Liquidator,
109 Pitt Street, Sydney, Australia.
Telephone: (02) 2326566.

MERSSEY COUNTY COUNCIL

Waste Disposal

The Council has decided to give consideration to the role the Private Sector could play in assisting with the Authority's statutory waste disposal function by:

(a) the provision and operation of resource recovery facilities in conjunction with County waste disposal/treatment plant,

(b) the provision and operation of controlled landfill facilities.

Contractors interested in submitting preliminary proposals should apply for further details to the County Engineer, 4th floor, Steers House, Canning Place, Liverpool L1 8JW not later than Monday, 30th October, 1978.

R. J. Williams
County Engineer

R. J. Williams
County Engineer

R. J. Williams
County Engineer

R. J. Williams
County Engineer

R. J. Williams
County Engineer

R. J. Williams
County Engineer

COMPANY NOTICES

FF 100,000,000 EUROPEAN INVESTMENT BANK
7% Bonds of 1971 due 1981
Notice is hereby given to bondholders that the amount of FF 4,000,000,000, redeemable on December 10, 1978, was bought into the market.

Amount outstanding: FF 73,000,000,000
EUROPEAN INVESTMENT BANK
Luxembourg
October 16, 1978

ELECTRICITY SUPPLY COMMISSION
ESCOM 1971-86 8 1/2% \$US20,000,000
Notice is hereby given to bondholders that the amount of \$US2,500,000,000, redeemable on December 1st, 1978, was bought into the market.

Amount outstanding: \$US12,500,000,000
The Trustee:
FINMINTRAUST S.A.
Luxembourg
October 16, 1978.

1. CONVERSION LOAN BONDS TO BEARER
The Bank of England gives notice that new COUPON bonds for the above-mentioned loan will be available on or after 15th December 1978, in exchange for the existing bonds.

Available from the Chief Accountant's Office, Buildings, Princes Street, London EC2A 3PU, or from any of the following:

Depositories: Messrs. J. & W. Morgan & Co. Ltd., 25, Abchurch Lane, London EC4A 3DF; Messrs. J. & W. Morgan & Co. Ltd., 25, Abchurch Lane, London EC4A 3DF; Messrs. J. & W. Morgan & Co. Ltd., 25, Abchurch Lane, London EC4A 3DF.

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LEGAL NOTICES

No. 000001 of 1978
In the HIGH COURT OF JUSTICE
Chancery Division Companies Court, in the Matter of MANNING HOLDINGS LIMITED and in the Matter of THE COMPANIES ACT 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was presented on the 27th day of September 1978, in the said Court by the WHOLESALE FITTINGS COMPANY LIMITED whose Registered Office is situated at 15, Cannon Road, South, Dagenham, Essex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, W.C.2A 2LL, on the 20th day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition must appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

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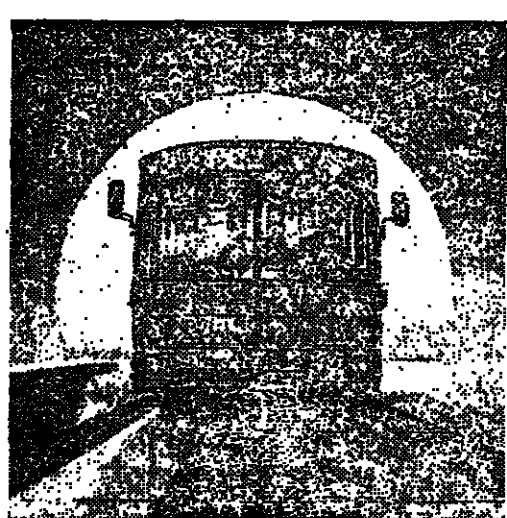
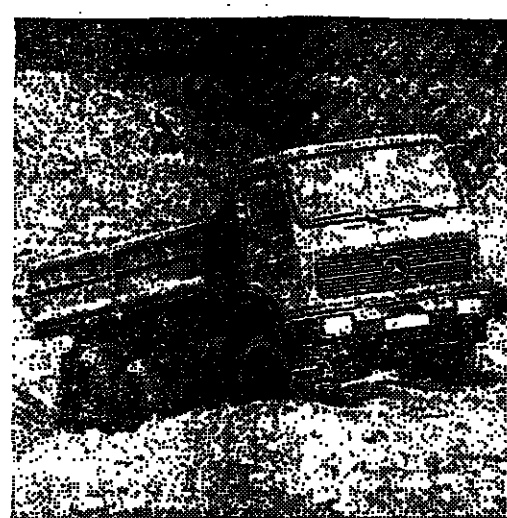
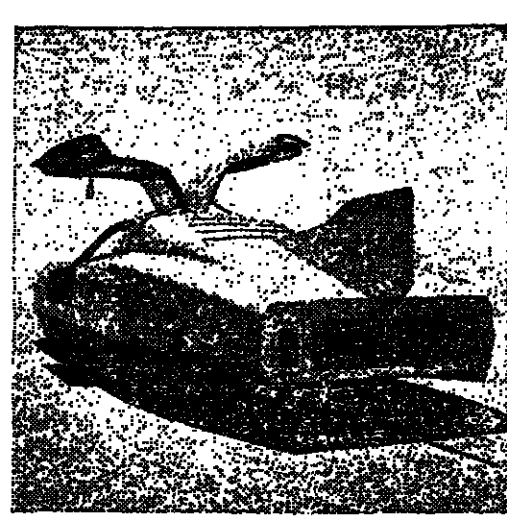
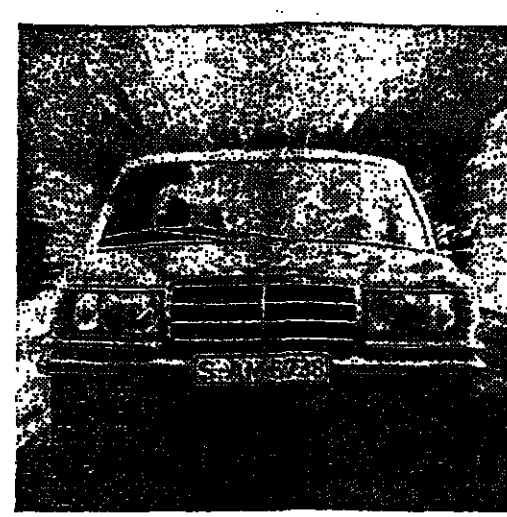
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PLANT & MACHINERY SALES

| Description | Telephone |
|--|--------------------------------|
| MODERN USED ROLLING MILLS , wire-rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc. | Telex 336414 |
| ROLLING MILLS 12" x 12" wide variable speed four high Mill. 3.5" x 8" x 9" wide variable speed four high Mill. 10" x 16" wide fixed speed two high Mill. 10" x 12" wide fixed speed two high Mill. 17" x 30" wide fixed speed two high Mill. | 0902 42541/2/3 Telex 336414 |
| 100 TON CAPACITY COINING PRESS by Taylor and Challen—virtually unused—fully automatic—160 s.p.m. x 24 mm stroke. | 0902 42541/2/3 Telex 336414 |
| IN LINE MACHINE for simultaneous surface milling both sides of continuous and semi-continuous cast non-ferrous strip up to 16" wide. | 0902 42541/2/3 Telex 336414 |
| DIE, 1750 FT/MIN SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 hp drive, 20" horizontal draw blocks, 22" vertical collecting block and 1000 lb spooler (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium). | 0902 42541/2/3 Telex 336414 |
| 8 BLOCK (400 mm) IN LINE, NONSLIP WIRE DRAWING MACHINE in excellent condition 0/2000ft/min, variable speed 10 hp per block (1968). | 0902 42541/2/3 Telex 336414 |
| 24 DIAMETER HORIZONTAL BULL BLOCK By Farmer Norton (1977). | 0902 42541/2/3 Telex 336414 |
| SLITTING LINE 500 mm x 3 mm 3 ton capacity | 0902 42541/2/3 Telex 336414 |
| 1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control. | 0902 42541/2/3 Telex 336414 |
| 1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition. | 0902 42541/2/3 Telex 336414 |
| 1965 TREBLE DRAFT GRAVITY WIRE DRAWING MACHINE by Farmer Norton 27"—29"—31" diameter drawblocks. | 0902 42541/2/3 Telex 336414 |
| STRIP FLATTEN AND CUT-TO-LENGTH LINE by A. L. W. Max capacity 750 mm x 3 mm. | 0902 42541/2/3 Telex 336414 |
| 3 BLOCK WIRE DRAWING MACHINE equipped with 22" dia. x 25 hp Drawblocks. | 0902 42541/2/3 Telex 336414 |
| 2 15 DIE M54 WIRE DRAWING MACHINES 5000ft/min. with spoolers by Marshall Richards. | 0902 42541/2/3 Telex 336414 |
| 3 CWT MASSEY FORGING HAMMER single blow. | 0902 42541/2/3 Telex 336414 |
| 9 ROLL FLATTENING MACHINE 1700 mm wide. | 0902 42541/2/3 Telex 336414 |
| 7 ROLL FLATTENING MACHINE 965 mm wide. | 0902 42541/2/3 Telex 336414 |
| COLES MOBILE YARD CRANE 6-ton capacity lattice jib. | 0902 42541/2/3 Telex 336414 |
| RWF TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE 10" x 8" rolls x 75 hp per roll stand. Complete with edging rolls, turks head flaking and fixed recoller, air gauging, etc. Variable line speed 0/750 ft/min and 0/1500 ft/min. | 0902 42541/2/3 Telex 336414 |
| NARROW STRIP STRAIGHTENING AND CUT-TO-LENGTH MACHINE (1973) by Thompson and Munroe. | 0902 42541/2/3 Telex 336414 |
| CINCINNATI GUILLotine 2500 mm x 3 mm capacity, complete with magnetic sheet supports and motorised back stops. | 0902 42541/2/3 Telex 336414 |
| MACHINING CENTRE Capacity 5ft x 4ft x 3ft 5 Axes continuous path 51 automatic tool changes: 5 tons main table load. Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at one third of new price. | 01-928 3131 Telex 261771 |
| 4000 TON HYDRAULIC PRESS Upstroke between columns 92" x 52" daylight 51" | 01-928 3131 Telex 261771 |
| ANKERWERK 400 TON INJECTION MOULDER | 01-928 3131 Telex 261771 |
| UPSET FORGING MACHINE 4" dia. 750 tons upset pressure. | 01-928 3131 Telex 261771 |
| 2,000 TON PRESS Double action area 132" x 84" | 01-928 3131 Telex 261771 |
| WICKMAN 21 6SP AUTOMATICS 1961 and 1963 EXCELLENT CONDITION. | 01-928 3131 Telex 261771 |
| WICKMAN 12" AUTOMATICS , 6 sp. Excellent. | 01-928 3131 Telex 261771 |
| WICKMAN 11" AUTOMATICS , 6 sp. Excellent. | 01-928 3131 Telex 261771 |
| CINCINNATI CENTRELESS GRINDER Excellent. | 01-928 3131 Telex 261771 |
| MAHO MH1000 UNIVERSAL TOOLROOM MILLER , Table 47" x 14". Excellent condition. | 01-928 3131 Telex 261771 |
| LINDNER JIG BORER , very accurate. | 01-928 3131 Telex 261771 |
| SLOTING MACHINE , 14" stroke, excellent. | 01-928 3131 Telex 261771 |
| ARRIVED TOO LATE FOR THE LAST MINERS STRIKE !! Unused Minneapolis Moline Brushless AC Generator, 80 KVA's. | Luton 29771 or telex 82446 |

Continuity and Dynamism: A formula for progress



Investment and innovation are the basis on which Daimler-Benz formed its policy to meet future developments and changes in market conditions.

Against the general trend towards uniformity in motor car design, Mercedes-Benz models retained their individual character.

Equally unmistakable have been the results of corporate efforts—once again, 1977 was a year of "Mercedes Quality".

Yet again, Daimler-Benz can look back on a successful year.

Turnover worldwide rose by 10% to DM 25.9 billion. Net income earned by Daimler-Benz AG during the year increased to DM 445 million i.e. 13.5% up on the previous year. The Company's financial base was broadened substantially by an allocation of DM 217 million to the reserves.

At DM 228 million, the total of dividends paid is almost the same as in the previous year. Including shareholders in Mercedes-Benz AG and Aktiengesellschaft the Company shareholders currently number more than 100,000, of whom some 31,000 are on the Company's payroll.

An "S-class" year.

Production of passenger cars for the first time passed the 400,000 mark in 1977. Thus the increase in this sector was not only above average in the long term, but also when compared with the previous year. The business year 1977 was marked particularly by an exceptionally high level of capacity utilisation in passenger car plants.

The S-class with a growth of 16% (all Mercedes-Benz cars were up by 8.3%) was especially successful. High quality, progressive technology, and an individual style of equipment are increasingly in demand.

Leading market position for commercial vehicles.

In the face of increasingly severe competition, Daimler-Benz successfully maintained its strong market position, and the exceptionally wide range of goods vehicles offered proved an advantage. With 248,000 vans, lorries, buses and Unimog vehicles, output again reached the high level of the previous year.

The newly introduced "Bremen" range of vans and pick-ups—which are distinguished by modern technology, functional styling and considerable economy, have succeeded beyond expectation. As a result of the strong demand, production is being raised to more than 45,000 units during the present year.

Social Commitment.

Daimler-Benz employs 132,000 people in 11 German plants and its wholly-owned branch establishments. While the German motor industry as a whole regained the level of employment it enjoyed in 1973 only during 1977, the number of people employed by Daimler-Benz rose by 5,000, or 12%, during this period.

Expenditure on wages, salaries, social security contributions and provisions for old age totalled DM 5.9 billion.

Finally, it is worth noting that in 1977 Daimler-Benz took on some 2,200 young people for training in 34 technical and 9 commercial disciplines, 11% more than in the previous year. More than 6,000 apprentices are currently being employed by the Company.

Investments to safeguard the future.

During the period 1978/1982, the investment programme of Daimler-Benz AG provides for capital expenditure exceeding DM 7 billion, mainly in the passenger car field. This clearly demonstrates what importance is given to continued dynamic development, safeguarding technological progress, continuing new lines, expanding passenger car capacity, conducting intensive research.

Most important of all is the safeguarding of the Company's competitive position and with it the employment of its labour force. In this connection it is quality, which for Daimler-Benz has many sides, on which the greatest efforts of all are concentrated. Which is why so large a proportion of specialists and skilled workers are employed in all fields. Because quality begins with an idea—and that idea originates with a man.

Technological progress demonstrated by the Diesel concept, the power unit of the future.

Daimler-Benz was the first manufacturer to develop a passenger car diesel engine with an exhaust-driven turbo-charger. The new 5-cylinder unit with a power output of 115 HP has been in full scale production since the spring of 1978. Installed in the "S-class" body, the 300 SD is specifically designed to meet American legal requirements and sales are confined to the US market.

Using this new engine at a still further advanced stage of development, the test vehicle C.111 III broke 9 world records previously held by petrol engines cars in April 1978. The average speeds exceeded 50 km per hour with a remarkably low consumption of less than 16 litres of diesel fuel per 100 km. Thus Daimler-Benz once more underlined its leading position in diesel technology and demonstrated the power potentially available from this power unit of the future.

New features in model policy.

Many novel and interesting features marked the new small coupé and the T-series introduced at the

International Automobile Exhibition in Frankfurt. Designed for tourism and transport, this versatile T-series logically complements the Mercedes range. The first T-models produced at the Bremen plant are now going into service.

Jointly with Steyr-Daimler-Puch, Mercedes-Benz engineers have developed a cross-country vehicle which will go into production at beginning of 1979. Engines, axles and other units are being supplied by Daimler-Benz.

High level of expenditure on research and development.

In 1977, Daimler-Benz spent 4% of turnover on "R & D"—research and development.

The main aims—apart from further improvement in vehicle safety, both active and passive—included the reduction of fuel consumption and the prevention of environmental damage.

Among research projects, the "O-Bahn" or "guided bus" design attracted a great deal of attention when first made public. It is an integrated traffic system for public short-haul passenger transport, combining the advantages of railbound traffic with the flexibility of the bus.

Considerable progress was also made in methanol and hydrogen research, and particularly in hydride storage. The hydrogen technology concept produces a form of energy safely stored and particularly free from environmental side-effects, which even today is beginning to find practical forms of application.

Progressive trend in UK.

An important milestone in Britain—where since January 1, 1974 the importation and marketing of Mercedes-Benz products has been the responsibility of a direct subsidiary—was the passing of the "10,000 units registered" mark. Further capital investment was also undertaken in the provision of well-equipped training facilities and improved staff amenities.

Total sales of passenger cars were increased by 10% to 8,349 units, and of commercial vehicles by 19% to 3,362 in Britain during 1977. The company thus participated to a greater than average degree in the resurgence of the British automobile market. Earnings were satisfactory as sales jumped 35% to the equivalent value of DM 413 million. Further progress was made in the consolidation of the sales organisation.

The Outlook.

Demand remains high across the whole passenger car range. The Company has also maintained its strong international market position in commercial vehicles.

Relying on its proven business principles and the extensive provisions it has made, Daimler-Benz once again looks forward to satisfactory results for 1978. This despite increased competition and the pressure resulting from wage disputes.

With the biggest order book in the Company's history, the technically advanced Mercedes-Benz range can rightly expect above average market opportunities in future. Other favourable trends are the continuing one towards trading up and increased value of sales of optional equipment, together with a degree of customer loyalty that is probably unique in the motor industry.

In future, just as it has done in the past, Daimler-Benz AG will look on the close link between investment policy and the long-term protection of jobs as a special part of its social responsibilities.

1977

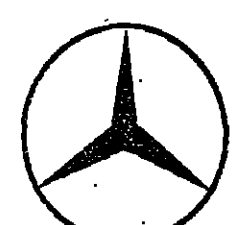
Daimler-Benz AG Balance Sheet at December 31, 1977 and 1976.

| Assets | | Liabilities, Reserves, and Stockholders' Equity | |
|--|----------------------|---|--|
| | Dec. 31, 1977 | Dec. 31, 1976 | |
| | DM | DM | |
| Current assets | | | Current liabilities |
| Cash | 857,799,726 | 760,413 | Accounts, drafts, loans, taxes, payable, and sundry |
| Marketable securities, at cost or market whichever is lower | 810,290,785 | 486,461 | accrued items |
| Accounts and notes receivable (less allowances) | 1,153,805,842 | 1,119,558 | Accounts payable to affiliated companies |
| Accounts and notes receivable from affiliated companies | 666,719,218 | 806,523 | 23,672,062 |
| Inventories | 2,246,679,223 | 1,659,595 | Total current liabilities |
| Other current assets | 967,892,985 | 731,910 | 3,715,598,561 |
| Prepaid expenses and deferred charges | 1,570,066 | 2,435 | Long-term liabilities |
| Total current assets | 6,704,597,845 | 5,566,895 | (of which owing to Daimler-Benz Provident Fund GmbH, Stuttgart, DM 349.4 million in 1977 and DM 348.4 million in 1976) |
| Investments and miscellaneous assets | | | Reserves |
| Investments in non-consolidated subsidiaries, at cost less reduction in carrying value | 400,431,337 | 380,753 | Reserve for pension liability |
| Other investments, at cost or market whichever is lower | 88,960,958 | 92,556 | 932,821,650 |
| Long-term receivables due after four years | 1,104,863 | 1,009 | Other reserves |
| Total investments and miscellaneous assets | 490,497,156 | 474,318 | 857,671,050 |
| Real estate, machinery and equipment | | | Reserve for investments in developing countries etc. |
| At cost less accumulated depreciation | 1,906,210,029 | 1,786,959 | 85,772,436 |
| Total assets | 9,101,285,030 | 7,828,172 | Total reserves |
| | | | 1,876,265,166 |
| | | | Stockholders' equity |
| | | | Capital stock: |
| | | | Preferred stock |
| | | | Common stock of DM 50 par value, 27,140,680 shares |
| | | | 1,921,500 |
| | | | Net income retained for use in the business |
| | | | 1,357,034,000 |
| | | | 1,358,955,500 |
| | | | 1,187,165 |
| | | | 1,169,086 |
| | | | Less—Treasury stock for employee stock purchase plan, at lower of cost or average preferred price to employees (1977: 99,750 shares; 1976: 100,542 shares) |
| | | | 15,960,000 |
| | | | 21,218 |
| | | | Total stockholders' equity |
| | | | 2,897,409,312 |
| | | | Total liabilities, reserves, and stockholders' equity |
| | | | 9,101,285,030 |
| | | | 7,828,172 |

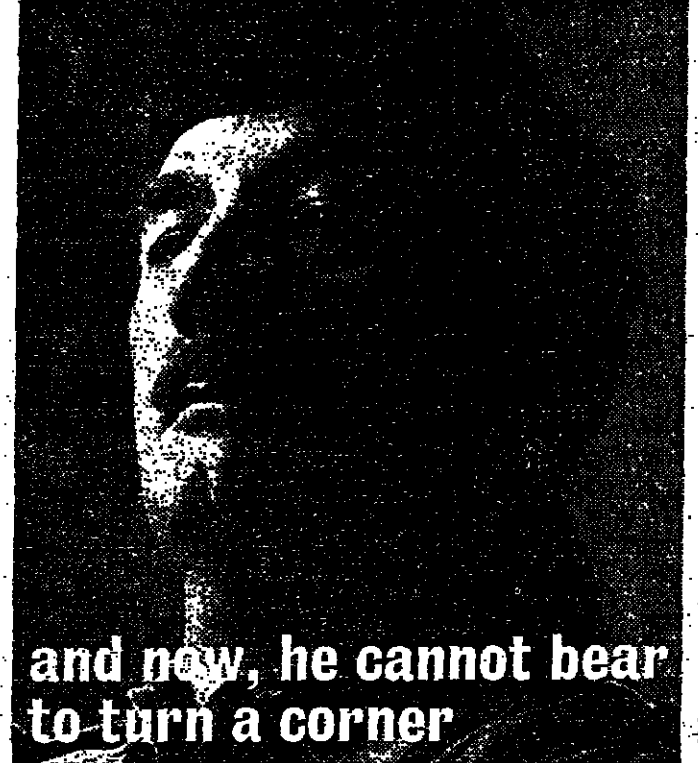
Daimler-Benz AG Statement of Income

| | Year 1977 | Year 1976 |
|---|-----------------------|--------------------|
| | DM | DM |
| Net sales | 20,412,965,864 | 18,766,455 |
| Dividends and other income from subsidiary and affiliated companies | 21,518,262 | 30,431 |
| Interest income less interest expense | 161,812,899 | 131,204 |
| Other income less sundry deductions | 98,338,845 | 108,200 |
| Total | 20,694,435,870 | 19,034,290 |
| Less: | | |
| Cost of sales and other operating charges including selling, general and administrative expenses, exclusive of items listed below | 17,806,724,954 | 16,477,104 |
| Depreciation and obsolescence of real estate, machinery and equipment | 725,921,410 | 785,405 |
| Taxes on income, trade and property | 1,715,031,986 | 1,376,062 |
| Total | 20,247,678,350 | 18,640,571 |
| Net income for the year | 446,757,520 | 393,719 |
| Dividends on preferred stocks | 64,050 | 64 |
| Amount earned on common | 446,693,470 | 393,655 |
| Number of shares of common stock at DM 50 par value (exclusive of treasury stock) | 26,747,917* | 26,454,904* |
| Amount earned per share of common stock | DM 16.70 | DM 14.88 |

* Adjusted for increase in capital stock.
Copies of the full annual report and audited accounts in English can be obtained from Daimler-Benz AG, Dept. GBA, P.O. Box D7000, Stuttgart.



Perhaps the bravest man I ever knew...



and now, he cannot bear to turn a corner

SIX-FOOT-FOUR SERGEANT "Tiny" G... was perhaps the bravest man his Colonel ever knew.

But now, after seeing service in Aden, after being booby-trapped and ambushed again more recently, Sergeant "Tiny" cannot bear to turn a corner. For fear of what is on the other side.

It is the bravest men and women from the Services who suffer most from mental breakdown. For they have tried, each one of them, to give more, much more, than they could in the service of our Country.

We look after these brave men and women. We help them at home, and in hospital. We run our own Convalescent Home. For some, we provide work in a sheltered industry, so that they can live without charity. For others, there is our Veterans' Home where they can see out their days in peace.

These men and women have given their minds to their Country. If we are to help them, we must have funds. Do please help us with a donation, and with a legacy too, perhaps. The debt is owed by all of us.

"They've given more than they could—please give as much as you can."

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New way of calculating company tax

BY MICHAEL LAFFERTY

NEW RULES for the calculation of tax charges in company accounts are published today by the Accounting Standards Committee.

The profession's rule-making body has decreed that, in future, companies should provide only for the taxes they expect actually to have to pay.

Many companies have moved on to this basis already, following publication of the draft standard in May last year, but some have held on to the old deferred tax system. This was enshrined in an accounting standard issued in August 1975 which was withdrawn sub-

sequently because of over-whelming opposition from industry and City institutions.

On the old basis companies had to provide for tax at the full statutory rate (currently 52 per cent) regardless of when the taxes became payable.

However, the introduction of 100 per cent tax allowances for investment in plant, and stock appreciation relief for stock increases, resulted in a situation in which tax liabilities were being set up in company accounts which might never become payable.

The new ruling takes account of this, so that a company's tax rate in any year will be

determined by the tax allowances to which it is entitled and which are not likely to be clawed back later.

The new standard becomes binding for accounting periods beginning after January 1 next, after which companies refusing to comply could receive qualified audit reports.

The document, which was prepared by a working group headed by Mr. David Hobson, senior partner of chartered accountants Coopers and Lybrand, is supplemented by a background note giving some of the reasoning behind the change of heart.

According to the note: "The

provision of tax in financial statements on the statutory rate of tax may be misleading in that it masks the real impact of tax on different types of companies."

The new standard, known as SSAP15, requires that provision should be based "on reasonable probability of payment." This cannot be a simple arithmetic exercise "but must take into account the particular circumstances of individual companies."

Among alternative treatments rejected by the Accounting Standards Committee is the "flow-through" approach—whereby tax changes would be based simply on the tax assessment for the

year in question—and a proposal from the Midland group of finance directors that full deferred tax be provided in the profit and loss account and then written back in the balance sheet.

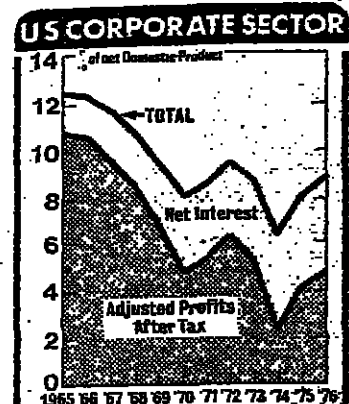
Yesterday, a committee official described this as illogical, and "wanting a profit-and-loss account for the unions and a balance sheet for the banks."

"Accounting for Deferred Taxation" and the supplementary note TR 311 are obtainable from: Publications Dept., P.O. Box 423, Chartered Accountants' Hall, Moorgate Place, London, EC2P 2BJ. Price 50p.

Details, Page 6

THE LEX COLUMN

Modigliani's balloon



Professor Franco Modigliani is a brave man. Last week the dozen of the American school of stock market theorists told 500 analysts at the Brussels congress of the European analysts' federation that they were wrong. Still more daringly, or perhaps foolishly, he charged the U.S. stock market with seriously undervaluing the value of equities. He claimed, in fact, that U.S. common stocks are valued at not much more than half what they should be.

The argument centres around the way in which company profits have been affected by inflation. Since about 1965, when in the U.S. and around the world inflation began to be a serious problem, there has been an apparent squeeze on real profits—these being defined as nominal historical cost profits less adjustments for inventory appreciation and replacement cost depreciation. Meanwhile interest rates have risen sharply, and have taken a substantially larger share of overall corporate returns.

The right way to value equities, argues Professor Modigliani, is to discount future real earnings at the appropriate real rate of return—being the real return on bonds plus an appropriate risk premium. Much the same result would be obtained by discounting nominal earnings at the appropriate nominal rate of return (the real rate plus the rate of inflation). But the stock market is charged with capitalising the wrong profits measure using the wrong rate of return.

The profits are wrong because analysts are excessively conservative in estimating cost of sales and depreciation adjustments without adding back the capital gains on debt which in real terms is being eroded by inflation. This argument is familiar enough to US investors (though Professor Modigliani did not appear to have studied any British work on the subject). The rate of return is wrong because investors are discounting real profits at the nominal rate of return.

Modigliani claims to have assembled convincing statistical support for these assertions. Data analysed according to these assumptions fits well with actual stock market behaviour during the past few years. It was some four or five years ago, when U.S. inflation began to accelerate seriously, that he became aware of the underestimation of profits, but he assumed that

the market would adjust its capitalisation rate. Now he is preparing to publish a paper on his ideas first. "It is to some extent a trial balloon," he confessed after his lecture last week.

According to this theory the much discussed fall in the share of profits in national income throughout the Western world during the past decade is largely an accounting myth. Real profits in the U.S. rose in the mid 1960s and fell in the early 1970s but have since recovered and are showing no obvious long-term trend. The combined share of nominal profits and interest in national income—making up the total return to capital—has changed little, though the division between the two has been affected by inflation.

Risk premium

What Professor Modigliani claims, put another way, is that the risk premium varies in practice exactly in line with inflation: each percentage point rise in inflation leads to a one-point rise in the required real rate of return. This happens only because investors have got their sums wrong. There are, of course, reasons why investors might be expected to behave nervously during a period of inflation. There may be a fear of tighter money policies which will tend to push up real interest rates and depress share prices. Inflation itself increases the risks borne by investors (and by borrowers). Can these factors explain the collapse in real share prices? Not according to Modigliani. "It would need an amazing coincidence that pessimism should do exactly what inflation does to the risk premium," he says.

But his conclusion that the

stock market has gone right against the modern theory of efficient markets states that investors' account of all available information in arriving at a determined price, that is always right. Yet now says that an investor buys stock with an expected rate of return that is higher than the rate of inflation. And UK stock market has not fit in with such a theory—unlike in the U.S. real company profits for monetary gains are disseminated, and it is believed that it is better to have even Sir Francis Smith now believes in monetary gain and share prices in real terms have not shown a rising trend this year although they have fallen and real profits are tending to rise. Then, as is true, be a cyclical change for this.

Professor Modigliani needs to explain where unanticipated gains of investors are to come from corporate sector as a whole only accrue gains from domestic sectors—obviously from banks and bank deposits in the social sector—and to foreigners. This must mean that bondholders have it all wrong too, or (plausibly) that U.S. companies are profiting from the depreciation of overseas dollar assets. Meanwhile, it is thought that price controls, though voluntary, squeeze U.S. exporters in a way that will certainly not be the figment of any economist's imagination.

Deferred tax

The deferred tax accounting standard has changed at last. It has a number of welcome features—namely, the definition of the deferred future (which is set at 5 years), a requirement that full deferred tax liability should be disclosed in the notes analysed, while there is an option between ED15 and deferred tax accounting. As the stories a few months ago that the standard was going to be more flexible it looks through some lives were not far from the truth. Now, for a change, ASC is able to come out with its as though it has stilling its resolve.

UK electronics suppliers compete for Boeing deals

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UK SUPPLIERS of aerospace electronics equipment and components are now bidding strongly against foreign U.S. competitors for contracts worth several hundred million pounds on the new Boeing family of airliners, the twin engine, short to medium range 757 and 767.

Boeing officials in Seattle have said the company intended to buy all the equipment and systems components for its new jets wherever it could, regardless of the nationality of the manufacturers.

The design, development and initial production costs of the two new types of jet will amount to over \$2bn of which about one-third will be spent on the electronics and other equipment items, apart from the engines which, for the 757, will be Rolls Royce RB-211-535s.

The UK companies involved in the bidding include Smiths Industries on the autopilot, Marconi-Elliott on the autopilot, Boulton Plessey Avionics, Boulton Paul and the Dowty Group. In all, Boeing said it was having discussions with about 35 UK companies.

Because many of the components will be common to the 757 and 767, the successful companies could find themselves supplying both types.

The business will be huge as Boeing envisages production runs of up to 1,200 aircraft for the 757 and even more than that for the 767 by the early 1990s.

It is telling potential suppliers that initial contracts will cover at least several hundred aircraft.

But the competition is fierce from American-based companies which also want a share of what is increasingly recognised as the world's biggest new jet airliner programme for the rest of this century. The conditions being set by Boeing are understood to be tough, with no latitude being allowed to any company that fails to meet delivery dates, performance specifications or prices. "We are running a very tight ship indeed," Boeing said. "Our customers, the world's airlines, are pushing us hard on prices and delivery dates and we are going to do the same to our suppliers."

Offer dead

While Boeing makes it clear that it is interested in having UK equipment engines aboard its new aeroplanes, it also says that its original offer to British Aerospace, the nationalised aerospace manufacturer, of risk-sharing collaboration on the 757 programme, is now dead.

That offer, made earlier this year, including up to 40 per cent of the 757, including wings, landing gear, rear fuselage and part of the tail. It was made by Boeing to try to encourage British Aerospace to join the U.S. company rather than rejoin Airbus Industrie in Europe to help

build the new A-310, the rival to the Boeing jets.

British Aerospace declined the offer, and, with UK Government approval, opted in favour of a European approach. But while the company is having considerable difficulty in fulfilling its ambition of getting into Europe because of continued French objections, Boeing has turned elsewhere and is now rapidly meeting its own requirements for risk-bearing partners by reaching agreements with U.S. companies. Negotiations over the 757 are in progress with North American Rockwell, Grumman, LTV, General Dynamics and others.

As far as the bigger 767 is concerned, Boeing has already arranged for a 15 per cent collaborative share with Aeritalia of Italy, and for the same amount with companies in Japan.

Boeing says that its design work on the new jets is well advanced, and metal cutting will start next year with the first flights set for 1981. The company is recruiting workers of all types—it has hired over 10,000 this year, lifting its Seattle payroll to over 40,000. Part of this is due to the demands of the new airliner programmes, but it is also due to the steadily rising demand for Boeing's existing aeroplanes, the 727, 737 and 747, which are now being built at a collective rate of 24 aircraft a month, rising to a planned 28 aircraft a month by the end of next year.

Computer row may hold back £700m in taxes

BY DAVID FREUD

ABOUT £700m in taxes due to be collected this week may not reach the Government if a special conference of the Inland Revenue Staff Federation today decides to step up action over a computer manning dispute.

The conference has been called to decide the federation's response to Revenue plans entailing the loss of computer work members to the rival Society of Civil and Public Servants.

Extreme action could affect the operation of the computer centre in Cumbernauld, Scotland, which opened in spring and now handles the collection of pay-as-you-earn tax remittances in the north.

This month's taxes are due on or about Thursday and it is estimated that Cumbernauld collects about £700m a month.

Failure to process the tax cheques would tend to increase the liquidity of the banking system and raise the Government's short-term funding requirement.

The Bank of England would be likely to cope with this either by increasing its sales of Treasury bills to the discount market, or by calling in special deposits from the banks.

The dispute over computer manning has been rumbling since July, 1977, and earlier this year the federation introduced a policy of non-co-operation in shifting manual work over to computers.

The federation executive is understood to feel that it has gained some concessions from the Revenue and wants backing from the membership to continue negotiating.

However, at a time when plans are going ahead for further computerisation of Revenue work—meaning the loss of thousands of routine clerical jobs—feelings within the federation membership are running high over the prospect of losing jobs to a rival union.

So it is impossible to predict how the 150 branch delegates will react to the executive's proposals at today's conference.

The dispute has arisen because the Revenue wants to shift individuals involved exclusively in computer work—about 200 at present—away from the specialised department grades to general civil service grades. This would require changing to a union that covers the whole civil service.

Money supply figures likely to show growth

BY DAVID FREUD

MONEY SUPPLY started to expand again in September after the sharp drop of the previous month, figures due on Thursday are expected to confirm.

The expansion is suggested by the banking figures released last week, which showed an increase in the liquidity of the banking system, the main deposit funds, which are an important constituent of the sterling money stock on the wider definition (M3).

Although the increase in eligible liabilities was modest, there are signs that the growth in M3 will be rather greater, bringing it closer to the official target range of 8-12 per cent.

After a fall of 1 per cent in banking August, sterling M3 had increased during the first four months of the financial year at an annual rate of only just over 3.5 per cent—well below the target range.

Among the factors likely to have boosted M3 by more than the figures for eligible liabilities suggest are the growth in the use of funds between the banks and money markets. These have the effect of holding down eligible

liabilities but not money supply. The money stock may also have been boosted by the relatively high level of government borrowing, and will be subject to a small upward seasonal adjustment.

Other official statistics due this week include retail sales, released today, and average earnings, published by the Department of Employment on Wednesday.

The provisional figures for retail sales in September will provide an important pointer to the underlying strength of consumer spending, as no special factors are involved in this month.

Therefore it should be possible to tell how much the high level of spending in shops in August and July were influenced by the tax rebates paid from July 12.

The average earnings figure for August, the first month of Phase Four of the Government's pay policy, should provide some indication as to how the official 5 per cent limit is being observed. However, it will be too early to draw any firm conclusions.

Insurance groups urged to go down-market

BY ERIC SHORT

IF THE traditional life assurance business wished to expand, it would need to look to clients among the artisan classes of the "C" and "D" socio-economic groups, Mr. Andrew O'Leary, assistant general manager of Clerical Medical and General Life Assurance Society, told the first conference of the British Insurance Brokers Association.

Such people had enhanced their incomes, but did not have the savings habit, said Mr. O'Leary. So far, neither brokers nor life companies had found a way of reaching them and trapping the large market which their increased wealth represented.

Industrial life companies had for decades had contact with the lower classes, but Mr. O'Leary felt they had not translated it into a convincing market. It was interesting to consider how to approach such persons, and whether brokers could find an economic method of reaching them.

Mr. O'Leary pointed out that

in recent years life companies had found it much harder to maintain their share of business, most of which came from the middle classes. Growth had come currently from pensions business.

Mr. B. Richardson, general manager of Provident Mutual Life Assurance Association, told the conference that house purchase life assurance sales were a very important source of new business for life companies. But he was disappointed that Capital Transfer Tax had not resulted in as much business as was expected.

£100,000 gift to university

MR. CHARLES HUNNISSETT, chairman of Hanningtons, a Brighton departmental store, has given £100,000 to Sussex University for medical research. Income from the fund is expected to enable research into body-leaching to go ahead.

British food manufacturers want EEC grain price freeze

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

STRONG CRITICISM of the European Commission's policy on grain prices has been made in a private memorandum to Viscount Davignon, EEC Commissioner for Agriculture, by Britain's food and drink manufacturers.

They call for a virtual freeze on grain prices for five years to bring them more into line with world grain prices. If such a policy were adopted by the European Commission, its effect would be to stabilise bread prices in the shops.

These criticisms of EEC policy were by the Food and Drink Industries Council, which represents British manufacturers, and are currently being discussed by Commission officials in Brussels.

The council's unpublished memorandum says that the food and drink processors who directly consume some three-quarters of all agricultural products "pay unnecessarily high prices for their raw materials."

This "penalises consumers and causes surpluses which are very costly to dispose of on the world market, or to store."

The memorandum blames the Commission for allowing its total

cereals pricing policies to be influenced by the problem of small farmers who effectively receive special protection under the Common Agricultural Policy. "It cannot be healthy for the agricultural producer to fail to be orientated primarily towards his market."

Too big a gap

It states that "there is no doubt that there is far too big a gap between the world prices for grain and those in the EEC." The higher EEC prices have created a position in which large and growing surpluses of EEC-produced cereals are likely to embarrass the community in the future.

The council proposes several policy changes to remedy this position. In particular it is concerned that wheat prices should be reduced to a level of only about 15-20 per cent above world prices.

It says that the EEC levy for wheat is as high as the price on the world market, and "it is impossible to justify such a difference." It would therefore "support a policy of nil or marginal increases over the next five years

which would allow inflation to erode the real price level."

The memorandum proposes that access to the Community for hard high protein wheat from North America be made easier.

These wheats cannot be grown in the Community, and compete with indigenous EEC wheats, it says.

Consequently by reducing the levy on hard wheats consumers can be offered the opportunity of reduced costs without harming the interests of the EEC producer.

The Council's memorandum to Viscount Davignon has been tabled for discussion at the Commission des Industries Agricoles et Alimentaires, which represents European food and drink industries in Brussels.

Continued from Page 1

Finance Ministers

Under the so-called Belgian compromise, currencies would be defined in terms of the European Currency Unit (ECU), a weighted basket of all EEC currencies. But their maximum limits of fluctuation would be determined by a parity grid in which currencies would be directly related to each other, as in the present "snake."

The principal area of dispute concerns the extent to which countries would be obliged to take action when their currencies deviated from the central rates in the basket but had not reached their parity grid intervention limits.

Three main options, of progressive strictness, have been identified in a report by the monetary committee. These range from a provision, favoured by the Germans and Dutch, which would merely require central banks and governments to hold consultations to an automatic obligation on authorities to intervene and discuss with other countries the corrective measures needed to bring the deviant currency back into line.

The latter option, favoured by Britain, Italy and some other countries, would defer settlement of debts incurred if the intervening currency was at its ceiling and no other currency was at its floor.

Weather

UK TODAY
MAINLY dry and cloudy, with sunny intervals. Some rain in north.
London, S. England, E. Anglia, Midlands, S. Wales, Channel Islands
Mainly dry, cloudy, some sunny intervals. Max. 15C (59F).

N. England, N. Wales, Lakes, Isle of Man, Borders, Edinburgh, E. S.W. Scotland, N. Ireland
Cloudy, some rain. Max. 13C (55F).

Highlands, N. Scotland
Windy, some rain with sunny intervals. Max. 12C (54F).
Scottish Islands
Windy, cloudy, some rain. Max. 10C (50F).

Outlook

Windy, some rain. Becoming colder.

HOLIDAY RESORTS

| | Y'day | Today | Y'day | Today |
|--------------|-------|-------|-------|-------|
| Amsterdam | 13 | 15 | 13 | 15 |
| Antwerp | 13 | 15 | 13 | 15 |
| Birmingham | 13 | 15 | 13 | 15 |
| Bristol | 13 | 15 | 13 | 15 |
| Buenos Aires | 13 | 15 | 13 | 15 |
| Cardiff | 13 | 15 | 13 | 15 |
| Edinburgh | 13 | 15 | 13 | 15 |
| Geneva | 13 | 15 | 13 | 15 |
| London | 13 | 15 | 13 | 15 |
| Madrid | 13 | 15 | 13 | 15 |
| Moscow | 13 | 15 | 13 | 15 |
| New York | 13 | 15 | 13 | 15 |
| Paris | 13 | 15 | 13 | 15 |
| Rome | 13 | 15 | 13 | 15 |
| Stockholm | 13 | 15 | 13 | 15 |
| Switzerland | 13 | 15 | 13 | 15 |
| Toronto | 13 | 15 | 13 | 15 |
| Wales | 13 | 15 | 13 | 15 |
| Warsaw | 13 | 15 | 13 | 15 |
| Winnipeg | 13 | 15 | 13 | 15 |

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